This Preliminary Official Statement and the information contained herein are subject to completion and amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRELIMINARY OFFICIAL STATEMENT DATED _______, 2016

NEW ISSUE – FULL BOOK ENTRY

Ratings: Moody's: "__"
Standard & Poor's: "__"

(See "RATINGS" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

$[PAR]*
San Mateo County Joint Powers Financing Authority
Refunding Lease Revenue Bonds
(Youth Services Campus)
2016 Series A

Dated: Date of Delivery **Due:** July 15, as shown on the inside front cover

The San Mateo County Joint Powers Financing Authority (the "Authority") is offering $[PAR]* of its Refunding Lease Revenue Bonds (Youth Services Campus), 2016 Series A (the "Bonds"). The Bonds are being issued by the Authority pursuant to a Trust Agreement, dated as of January 1, 2016, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are being issued for the purpose of providing funds, together with other available moneys, to (i) refund all of the Authority's Refunding Lease Revenue Bonds (Youth Services Campus) 2008 Series A (the "Refunded Bonds") and to (ii) pay costs of issuance of the Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and individual purchases of the Bonds will be made in book-entry form only. Ownership interests in the Bonds will be in denominations of $5,000 and integral multiples thereof. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds purchased, but will receive a credit balance on the books of the nominees of such purchasers. Interest on the Bonds is payable on January 15 and July 15 of each year, commencing July 15, 2016. Principal of, premium, if any, and interest on the Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds, as described herein. See APPENDIX B – "BOOK-ENTRY SYSTEM" attached hereto.

The Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity, all as described herein. See "THE BONDS—Redemption of Bonds" herein.

The Bonds are limited obligations of the Authority payable solely from, and secured solely by, Revenues of the Authority, consisting primarily of Base Rental Payments to be received by the Authority from the County of San Mateo (the "County") under an Amended and Restated Facility Lease, dated as of January 1, 2016 (the "Facility Lease"), by and between the Authority and the County, for the right to use and possession of certain real property and facilities (the "Facilities"), as more fully described herein. The County has agreed in the Facility Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event of material damage to or destruction of the Facilities, a material title defect with respect to the Facilities or a taking of the Facilities in whole or in part. Pursuant to the Trust Agreement, the Bonds are secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing any additional bonds issued under the Trust Agreement.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues and certain funds and accounts held by the Trustee as provided in the Trust Agreement. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided herein. The Bonds do not constitute a debt of the County, the State or any of its political subdivisions within the meaning of any constitutional debt limitation, and neither the County, the State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided in the Trust Agreement. NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY NOR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE BONDS AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE REVENUES IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE BONDS. NEITHER THE PAYMENT OF THE PRINCIPAL OF NOR INTEREST ON THE BONDS CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OR THE COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF SAN MATEO, THE PARTIES TO THE AGREEMENT CREATING THE AUTHORITY.

MATURITIES, PRINCIPAL AMOUNTS,
INTEREST RATES, YIELDS AND CUSIPs
(See Inside Front Cover)

Upon issuance of the Bonds, the Authority will cause to be deposited in the Series 2016 Reserve Account a municipal bond debt service reserve insurance policy, issued by __________, in an amount equal to, which equals the Series 2016 Reserve Account Requirement (as defined in this Official Statement).

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Bonds are offered when, as and if issued, subject to approval of validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Authority, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Schiff Hardin LLP, San Francisco, California. Certain legal matters will be passed upon for the Authority and for the County by County Counsel and by Sidley Austin LLP, San Francisco, California, Disclosure Counsel to the Authority and the County. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about ______, 2016.

Raymond James **Citigroup**

Dated: ____, 2016

* Preliminary, subject to change.

$[PAR]*
San Mateo County Joint Powers Financing Authority
Refunding Lease Revenue Bonds
(Youth Services Campus)
2016 Series A

MATURITY SCHEDULE

Maturity (July 15)	Principal Amount	Interest Rate	Yield	CUSIP[†] Number
	$	%	C	

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standards & Poor's Financial Services LLC on behalf of the American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the County, the Authority or the Underwriters and are included solely for the convenience of the registered owners of the Bonds. None of the County, the Authority or the Underwriters is responsible for the selection of uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

* Preliminary, subject to change.

C Priced to first optional redemption date of [_____] at par.

COUNTY OF SAN MATEO

Board of Supervisors

Dave Pine, First District
Carole Groom, Second District
Don Horsley, Third District
Warren Slocum, Fourth District
Adrienne J. Tissier, Fifth District

County Officials

John L. Maltbie, County Manager
John C. Beiers, County Counsel

District Staff

James Porter, Director of Public Works for the County of San Mateo

SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY

Governing Board

Paul Scannell, President
James P. Fox, Vice President
John M. Gemello, Secretary
Steve Alms, Member
Thomas F. Casey, Member

SPECIAL SERVICES

Orrick, Herrington & Sutcliffe LLP
San Francisco, California
Bond Counsel

Sidley Austin LLP
Disclosure Counsel

California Financial Services
Santa Rosa, California
Financial Advisor

U.S. Bank National Association
St. Paul, Minnesota
Trustee

No dealer, broker, salesperson or any other person has been authorized by the Authority, the County or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the County since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

IN CONNECTION WITH THIS OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "projection" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the captions "THE COUNTY OF SAN MATEO" and "COUNTY FINANCIAL INFORMATION" in this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The County does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

The County maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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OFFICIAL STATEMENT

$[PAR][*]

SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY
Refunding Lease Revenue Bonds
(Youth Services Campus)
2016 Series A

INTRODUCTION

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement, including the cover page, the inside cover page and the appendices (the "Official Statement"). The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not otherwise defined herein shall have the respective meanings assigned to them elsewhere in this Official Statement. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Certain Definitions" herein.

Purpose

The purpose of this Official Statement, including the cover page and appendices hereto, is to provide certain information concerning the sale and delivery by the San Mateo County Joint Powers Financing Authority (the "Authority") of its $[PAR][*] Refunding Lease Revenue Bonds (Youth Services Campus), 2016 Series A (the "Bonds").

The Bonds are being issued by the Authority for the purpose of providing funds, together with other available moneys, to (i) refund the Authority's Outstanding Lease Revenue Bonds (Youth Services Campus), 2008 Series A (the "Refunded Bonds") and (ii) to pay costs of issuance of the Bonds and other costs relating to the refunding of the Bonds. See "PLAN OF REFUNDING" herein.

The County of San Mateo

The County, one of 58 counties in the State of California (referred to herein as the "State" or "California"), was established in 1856. The County is governed by a five-member Board of Supervisors (the "Board") elected to staggered four-year terms. The Board appoints the County Manager to manage the day-to-day affairs of the County. The County occupies 447 square miles and contains 20 cities on a peninsula bounded by San Francisco to the north, Santa Clara County to the south, San Francisco Bay to the east, and the Pacific Ocean on the West, has an estimated population of 753,125 as of January 1, 2014, and an adopted fiscal year 2015-16 General Fund budget of $1.7 billion. See "THE COUNTY OF SAN MATEO" and "COUNTY FINANCIAL INFORMATION" herein.

Authority for Issuance of the Bonds

The Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the "Bond Act"), and Trust Agreement, dated as of January 1, 2016 (the "Trust Agreement"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The County will enter into the Facility Lease (as defined herein) pursuant to and in accordance with the Government Code of the State, other applicable laws of the State and resolutions adopted by the County and the Authority prior to the issuance of the Bonds.

[*] Preliminary, subject to change.

Following delivery of the Bonds, only the Bonds will be outstanding under the Trust Agreement. The Bonds, together with any additional bonds issued under the Trust Agreement ("Additional Bonds"), are collectively referred to herein as the "Bonds."

Security for the Bonds

The Bonds are limited obligations of the Authority payable solely from, and secured solely by, Revenues of the Authority, consisting primarily of Base Rental Payments to be received by the Authority from the County under an Amended and Restated Facility Lease, dated as of January 1, 2016 (the "Facility Lease"), by and between the Authority and the County. The Base Rental Payments to be made by the County pursuant to the Facility Lease are payable by the County from its General Fund to the Authority for the right to use and possession by the County of the real property and facilities comprising the youth services campus (collectively, the "Facilities"). The County has agreed in the Facility Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event of material damage to or destruction of the Facilities or a taking of the Facilities in whole or in part.

Pursuant to an Amended and Restated Site Lease, dated as of January 1, 2016 (the "Site Lease"), between the County and the Authority, the County has leased to the Authority the real property upon which the Facilities is located. See "SECURITY FOR THE BONDS" herein.

Upon issuance of the Bonds, the Authority will cause to be deposited in the Series 2016 Reserve Account a municipal bond debt service reserve insurance policy (the "Series 2016 Reserve Facility"), issued by __________ (the "Series 2016 Reserve Provider"), in an amount equal to, which equals the Series 2016 Reserve Account Requirement (as defined herein). See "SECURITY FOR THE BONDS—Series 2016 Reserve Account" herein.

Facilities

The Facilities consist of a 40-acre County owned site in the City of San Mateo on which the County constructed the Youth Services Center, a 30-bed camp for girls, a community day school and a new 12-bed receiving home. The multiple facilities contain an aggregate of 178,441 square feet and construction was completed in 2009, at a total cost (excluding land costs) of $___________. See "THE FACILITIES" herein.

The Bonds Constitute Limited Obligations

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues and certain funds and accounts held by the Trustee as provided in the Trust Agreement. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided herein. The Bonds do not constitute a debt of the County, the State or any of its political subdivisions within the meaning of any constitutional debt limitation, and neither the County, the State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided in the Trust Agreement. NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY NOR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE BONDS AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE REVENUES IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE BONDS. NEITHER THE PAYMENT OF THE PRINCIPAL OF NOR INTEREST ON THE BONDS CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OR THE COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF SAN MATEO (THE "COMMUNITY DEVELOPMENT COMMISSION"), THE PARTIES TO THE AGREEMENT CREATING THE AUTHORITY.

Bondowners' Risks

Certain events could affect the County's ability to make the Base Rental Payments when due. See "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

Continuing Disclosure

The County will covenant pursuant to a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") to provide certain financial information and operating data relating to the County by not later than March 30 of each calendar year, commencing with the report for fiscal year 2015-16 (ending June 30, 2016) (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events (the "Listed Events"), not in excess of ten business days after the occurrence of a Listed Event. The Annual Report and the notices of Listed Events will be filed by the County with the Municipal Securities Rulemaking Board (the "MSRB") or any other entity designated or authorized by the Securities and Exchange Commission (the "SEC") to receive such reports. Until otherwise designated by the MSRB or the SEC, filings with the MSRB will be made through the Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at http://emma.msrb.org. See "CONTINUING DISCLOSURE" herein and APPENDIX F – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

Summaries Not Definitive

Brief descriptions of the Bonds, the Authority, the County and the Facilities are included in this Official Statement, together with summaries of the Site Lease, the Facility Lease and the Trust Agreement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Bonds, the Site Lease, the Facility Lease and the Trust Agreement are qualified in their entirety by reference to the actual documents, or with respect to the Bonds, the forms thereof included in the Trust Agreement, copies of all of which are available upon request at the corporate trust office of the Trustee at 60 Livingston Avenue, St. Paul, Minnesota 55107.

Additional Information

The County regularly prepares a variety of publicly available reports, including audits, budgets and related documents. Any Owner of the Bonds may obtain a copy of any such report, as available, from the Trustee or the County. Additional information regarding this Official Statement may be obtained by contacting the Trustee or:

Mr. Jim Saco
Budget Director
County of San Mateo
Hall of Justice and Records
400 County Center, First Floor
Redwood City, California 94063
(650) 363-4439

PLAN OF REFUNDING

The proceeds of the Bonds, together with other available moneys, will be used (i) to refund all of the Refunded Bonds and (ii) to pay costs of issuance on the Bonds.

Refunding Bonds

The Refunded Bonds were originally issued in the aggregate principal amount of $141,080,000 pursuant to an Indenture, dated as of August 1, 2003, as supplemented by the First Supplemental Indenture, dated as of September 1, 2008. The proceeds of the Refunded Bonds were applied to refund the Authority's Outstanding Lease Revenue Bonds (Youth Services Campus), 2003 Series A, 2003 Series B and 2003 Series C, (collectively, the "2003 Bonds") to pay costs of issuance of the Refunded Bonds and to pay other costs relating to the refunding of the 2003 Bonds.

DEBT SERVICE REQUIREMENTS

The table below shows the debt service on the Bonds. The Bonds will be the only Outstanding Bonds issued under the Trust Agreement at the time of issuance of the Bonds. Certain other long-term obligations payable from the General Fund have been issued and are currently outstanding under trust agreements other than the Trust Agreement. See "COUNTY FINANCIAL INFORMATION—Indebtedness—Long-Term Obligations" herein.

Table 1
DEBT SERVICE REQUIREMENTS

Period Ending	Principal	Interest	Total Debt Service
Total[†]			

[†] Totals may not add due to rounding.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds of the Bonds and other available amounts are as follows:

Sources of Funds	
Principal Amount of Bonds	$
[Plus Original Issue Premium]	
[Amounts currently on deposit in the Reserve Fund and other funds]	
Total Sources	$
Uses of Funds	
Refunding of the Refunded Bonds	$
Project Fund[1]	
Costs of Issuance[2]	
Total Uses	$

(1) Represents unspent amounts from the Project Fund established in connection with the Refunded Bonds.

(2) Includes legal fees, financing and consulting fees, underwriters' discount, fees of bond counsel, premium for and cost of surety bonds or insurance policies, printing costs, rating agency fees, and other miscellaneous expenses

ACTIVE 210566595v.14

THE BONDS

General

The Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Payments of principal, premium, if any, and interest on the Bonds will be paid by the Trustee to DTC which is obligated in turn to remit such principal, premium, if any, and interest on the Bonds to its DTC Participants for subsequent disbursement to the Beneficial Owners (as defined herein) of the Bonds. See "—DTC and the Book-Entry System" below.

The Bonds will be dated the date of their initial delivery and will bear interest from such date payable on July 15, 2016, and semi-annually thereafter on January 15 and July 15 of each year (each, an "Interest Payment Date"). Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. Ownership interests in the Bonds will be in denominations of $5,000 or any integral multiple thereof ("Authorized Denominations").

Redemption of Bonds

Optional Redemption. The Bonds maturing on or prior to July 15, ___ are not subject to optional redemption The Bonds maturing on and after July 15, ___ are subject to optional redemption prior to their respective stated maturity dates at the written direction of the Authority, from moneys deposited by the Authority or the County, as a whole or in part (in such maturities as are designated by the Authority to the Trustee), on any date on or after July 15, __, at a redemption price equal to 100% of the principal amount of Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption. The Bonds maturing on July 15, ___ are also subject to mandatory redemption, in part, prior to their stated maturity from sinking account payments, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with unpaid accrued interest thereon to the date fixed for redemption, without premium.

Year (July 15)	Amount
_____*	

* Final maturity

Extraordinary Redemption. The Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as provided in the Trust Agreement, as a whole or in part by lot within each stated maturity of the Bonds, in integral multiples of Authorized Denominations, from prepayments made by the County from the net proceeds received by the County due to a taking of the Facilities or portions thereof under the power of eminent domain, or from the net proceeds of insurance received for material damage to or destruction of the Facilities or portions thereof or from the net proceeds of title insurance, under the circumstances described in the Trust Agreement and the Facility Lease, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereon to the Redemption Date. Whenever less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee shall select, in accordance with written instructions from the Authority, the Bonds to be redeemed so that the aggregate annual principal amount of and interest on the Bonds which will be payable after such Redemption Date will be as nearly proportional as practicable to the aggregate annual principal amount of and interest on the Bonds Outstanding prior to such Redemption Date.

Selection of Bonds for Redemption. If less than all of the Outstanding Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Bonds of such maturity to be redeemed by lot and shall promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption.

For purposes of such selection, the Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

Notice of Redemption. The Trust Agreement requires the Trustee to give notice of the redemption of any Bonds by mailing a notice of redemption of such Bonds, not less than 30 days nor more than 60 days before the redemption date, to the Holders of any Bonds or portions of Bonds which are to be redeemed, at their address appearing upon the registry books of the Trustee, with a copy to the Authority The notice of redemption shall state the date of such notice, the date of issue of the Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the maturity, the CUSIP numbers, if any, and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Such notice shall also state that, subject to prior rescission as provided in the next paragraph, on said date there will become due and payable on each of said Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

The Authority may, at its option, make any notice of redemption contingent or rescind and cancel any notice of redemption (other than mandatory sinking fund redemption and irrevocable notices) by Written Request to the Trustee, and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

Failure by the Trustee to give notice pursuant to the Trust Agreement to any one or more of the securities information services or depositories designated by the Authority, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to Trust Agreement to any one or more of the respective Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom such notice was mailed.

Effect of Redemption. Notice of redemption having been duly given, and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable at the redemption price specified in such notice together with interest accrued thereon to the redemption date, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Trust Agreement and the Owners of said Bonds will have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment.

DTC and the Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds are being issued in fully-registered form and, when issued, will be registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the owners of the Bonds shall mean Cede & Co. and shall not mean the actual purchasers of the Bonds (the "Beneficial Owners"). The information in this section and in Appendix B concerning DTC and DTC's book-entry system is based solely on information provided by DTC, and no representations can be made by the County, the Authority or the Trustee concerning the accuracy thereof. See APPENDIX B – "BOOK-ENTRY SYSTEM" for a further description of DTC and its book-entry system.

THE FACILITIES

The Facilities consist of a 40-acre County owned site in the City of San Mateo on which the County constructed the Youth Services Center, a 30 bed camp for girls, a community day school and a new 12 bed receiving home.

The Youth Services Center consists of a 180 bed Juvenile Hall, two court rooms, and dedicated office space for a variety of support staff including court staff, probation staff, attorney's and behavioral health staff. In total, the Youth Services Center employs approximately 250 staff.

The Magaret J. Kemp Camp for Girls is a gender responsive trauma informed program designed to meet the needs of female youth in the juvenile justice system. The program is a collaborative effort between the San Mateo County Probation Department, San Mateo County Behavioral Health and Recovery Services, The San Mateo County Office of Education, Star Vista, Rape Trauma Services, The Art of Yoga, and the CASA Program (Court Appointed Special Advocates). The program employs approximately 50 staff.

Gateway Community School is operated by the San Mateo County Office of Education and receives referrals from the various high school districts within San Mateo County. The Gateway Community School has five classrooms, and 15 staff.

The receiving home is operated by Children and Family Services (a division of the Human Services Agency) and designed to provide temporary housing for youth under their supervision and care.

The multiple facilities contain an aggregate of 178,441 square feet and construction was completed in 2009, at a total cost (excluding land costs) of $__________. See "PLAN OF REFUNDING—Refunded Bonds" above.

SECURITY FOR THE BONDS

Pledge Under the Trust Agreement

The Trust Agreement provides that the Bonds are payable solely from, and are secured by a lien on, all Revenues (as defined below), any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund), including the Series 2016 Reserve Account, and any other amounts (excluding Additional Payments) received by the Authority in respect of the Facilities. "Revenues" consist of (i) all Base Rental Payments and other payments paid by the County and received by the Authority pursuant to the Facility Lease (but not Additional Payments), and (ii) all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement or the Facility Lease.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues and certain funds and accounts held by the Trustee as provided in the Trust Agreement. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided herein. The Bonds do not constitute a debt of the County, the State or any of its political subdivisions within the meaning of any constitutional debt limitation, and neither the County, the State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided in the Trust Agreement. NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY NOR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE BONDS AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE REVENUES IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE BONDS. NEITHER THE PAYMENT OF THE PRINCIPAL OF NOR INTEREST ON THE BONDS CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OR THE COMMUNITY DEVELOPMENT COMMISSION, THE PARTIES TO THE AGREEMENT CREATING THE AUTHORITY.

Base Rental Payments

Revenues of the Authority pledged under the Trust Agreement to the payment of the Bonds consist primarily of the Base Rental Payments to be made by the County to the Authority under the Facility Lease. Base Rental Payments are due on each June 15 and December 15. The obligation of the County to pay Base Rental

Payments to the Authority when due is a General Fund obligation of the County. THE COUNTY HAS NOT PLEDGED THE FULL FAITH AND CREDIT OF THE COUNTY OR THE STATE TO THE PAYMENT OF SUCH BASE RENTAL PAYMENTS. For a further description of the Base Rental Payments, see "BASE RENTAL PAYMENTS" herein.

FOR INFORMATION REGARDING THE COUNTY, INCLUDING FINANCIAL INFORMATION, SEE "THE COUNTY OF SAN MATEO" AND "COUNTY FINANCIAL INFORMATION" HEREIN AND APPENDIX A AND APPENDIX C ATTACHED HERETO. SEE ALSO "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING COUNTY REVENUES AND EXPENDITURES" HEREIN.

The County's obligation to pay Base Rental Payments is subject to abatement. However, during periods of abatement, any moneys, to the extent available for such purpose, in any of the funds and accounts established under the Trust Agreement (except the Rebate Fund), including the Series 2016 Reserve Account, or proceeds of rental interruption insurance are available to pay Base Rental Payments. See "BASE RENTAL PAYMENTS—Abatement" and "RISK FACTORS—Abatement Risk" herein.

Series 2016 Reserve Account

The Trust Agreement establishes the "Series 2016 Reserve Account," which will be maintained by the Trustee. Funds in the Series 2016 Reserve Account will be available to pay only the principal of and interest on the Bonds. Additional Bonds, including any Bonds issued to refund the Bonds, may or may not, at the option of the Authority, have a Reserve Requirement.

The "Series 2016 Reserve Account Requirement" means, (calculated on a Bond Year basis), an amount equal to 50% of the lesser of (i) maximum annual Debt Service on all outstanding Bonds; (ii) 125% of average annual debt service on all outstanding Bonds; or (iii) 10% of the proceeds from the sale of the Bonds.

Upon issuance of the Bonds, the Authority will cause to be deposited in the Series 2016 Reserve Account the Series 2016 Reserve Facility in the amount of the Series 2016 Reserve Account Requirement. The Series 2016 Reserve Provider will be rated, on the date of issuance of the Bonds, in one of the two highest rating categories by at least one Rating Agency, and pursuant to the Trust Agreement, the Series 2016 Reserve Facility delivered pursuant to such commitment will satisfy the requirements for a Reserve Facility (as defined below).

Regardless of any change in rating or any other change in status (including, but not limited to, insolvency, dissolution or bankruptcy) of the Series 2016 Reserve Provider after the deposit of such Series 2016 Reserve Facility, the Authority is under no obligation to replace the Series 2016 Reserve Facility or to deposit additional cash to the Series 2016 Reserve Account with respect to the amount of the Series 2016 Reserve Facility.

See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE TRUST AGREEMENT—Reserve Fund" hereto.

Substitution of Facilities

Pursuant to the Facility Lease, the County and the Authority may substitute real property for all or for part of the Facilities being leased for purposes of the Site Lease and the Facility Lease ("Substitute Property"), but only after the County shall have filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the following:

(a) Executed copies of the Facility Lease or amendments thereto containing the amended description of the Facilities to reflect the Substitute Property;

(b) A Certificate of the County with copies of the Facility Lease or the Site Lease, if needed, or amendments thereto containing the amended description of the Facilities to reflect the Substitute Property stating that such documents have been duly recorded in the official records of the County Recorder of the County;

(c) A Certificate of the County, stating that the County intends to use and maintain the Substitute Property for at least the remaining term of the Bonds, and that the annual fair rental value of the Facilities which will constitute the Facilities after such substitution will be at least equal to the 100% of the maximum amount of Base Rental Payments becoming due in the then current year ending June 15 or in any subsequent year ending June 15 during the term of the Bonds;

(d) Either (i) a policy of title insurance in an amount equal to the principal amount of Bonds then Outstanding (or, if only part of the Facilities will be substituted, in an amount equal to such proportion of the principal amount of the Bonds then Outstanding as the fair rental value of the Substitute Property bears to the fair rental value of the existing Facilities), naming the County as insured owner and showing good and marketable title to the Substitute Property, or (ii) a Certificate of the County stating that, based upon a Title Commitment, if available, the County has good and marketable title to the Substitute Property. The term "Title Commitment" shall mean an irrevocable commitment to issue a CLTA standard coverage owner's policy of title insurance, issued by a national title insurance company, which policy if issued would insure fee simple title in the County, or if not available, a preliminary title report issued by a national title insurance company, in each case subject only to such exceptions to title as would not render such property insufficient for the needs and operations of the County;

(e) A Certificate of the County stating that such substitution does not adversely affect the County's use and occupancy of the Facilities; and

(f) An Opinion of Counsel stating that such substitution (i) complies with the terms of the Constitution and laws of the State and of the Trust Agreement and (ii) will not in and of itself cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Additional Bonds

Pursuant to the Trust Agreement, the Authority and the Trustee may, by a supplemental trust agreement, provide for the issuance of Additional Bonds, subject to satisfaction of certain provisions contained in the Trust Agreement. Additional Bonds will be payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the outstanding Bonds theretofore issued under the Trust Agreement, subject to the terms and conditions of the Trust Agreement. Additional Bonds may or may not be secured by a debt service reserve account. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE TRUST AGREEMENT—Additional Bonds" herein. See also "PLAN OF REFUNDING," "COUNTY FINANCIAL INFORMATION—County Debt Limit" and "—Indebtedness—Anticipated Financings" herein.

Eminent Domain

The Facility Lease provides that if the whole of the Facilities or so much thereof as to render the remainder unusable for the purposes for which it was used by the County is taken under the power of eminent domain, the term of the Facility Lease will cease as of the date that possession is so taken. However, if less than the whole of the Facilities is taken under the power of eminent domain and the remainder is usable for the purposes for which it was used by the County at the time of such taking, then the Facility Lease will continue in full force and effect as to such remainder, and there will be a partial abatement of the rental due under the Facility Lease in an amount equivalent to the amount by which the annual payments of principal and interest on the Outstanding Bonds will be reduced by the application of the award in eminent domain to the redemption of Bonds. The Facility Lease further provides that, as long as any of the Bonds remain outstanding, any award made in eminent domain proceedings for making the Facilities or any portion thereof will be paid to the Trustee and applied to the prepayment of Base Rental Payments.

Investment of Bond Funds

Pursuant to the Trust Agreement, all money held by the Trustee in any of the funds or accounts established pursuant to the Trust Agreement are required to be invested only in "Permitted Investments" as defined in the Trust

Agreement. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—CERTAIN DEFINITIONS" herein.

BASE RENTAL PAYMENTS

General

Revenues of the Authority pledged under the Trust Agreement to the payment of the Bonds consist primarily of the Base Rental Payments to be made by the County to the Authority under the Facility Lease. As rental for the right to use and occupy the Facilities, the County covenants to pay Base Rental Payments and also to pay Additional Payments in amounts required by the Authority for the payment of all costs and expenses incurred by the Authority in connection with the Facilities as described in the Facility Lease, including without limitation, the fees, costs and expenses and all administrative costs of the Authority related to the Facilities. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITY LEASE—Rental Payments" hereto.

County General Fund Obligation

The obligation of the County to pay Base Rental Payments and Additional Payments when due is a General Fund obligation of the County. THE COUNTY HAS NOT PLEDGED THE FULL FAITH AND CREDIT OF THE COUNTY, THE STATE OR ANY AGENCY OR DEPARTMENT THEREOF TO THE PAYMENT OF SUCH BASE RENTAL PAYMENTS.

Notwithstanding any dispute between the County and the Authority, the County must make all Base Rental Payments and Additional Payments when due without deduction or offset of any kind and cannot withhold any such payments pending final resolution of such dispute. The Facility Lease is a "net-net-net lease" and the County agrees that the rents provided for therein will be an absolute net return to the Authority free and clear of any expenses, charges or set-offs whatsoever. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITY LEASE—Payments to be Unconditional" hereto.

Covenant to Budget and Appropriate

Pursuant to the Facility Lease, the County covenants to take such action as may be necessary to include Base Rental Payments and Additional Payments due in its annual budgets and to make the necessary annual appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform such covenants. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITY LEASE—Appropriations Covenant" hereto.

Insurance. The Facilities will be insured to the extent set forth in the Facility Lease. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITY LEASE—Fire and Extended Coverage and Earthquake Insurance" and "—Rental Interruption or Use and Occupancy Insurance" herein. The Facility Lease requires the County to maintain or cause to be maintained insurance throughout the term of the Facility Lease against risk of loss or damage by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, but not earthquake insurance. Under the Facility Lease, the County is under no obligation to provide earthquake insurance, which, if any, will be provided at the discretion of the County. The extended insurance coverage will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Facilities, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to a deductible clause for any one loss of not to exceed $500,000 or comparable amount adjust for inflation), or, in the alternative, shall be in an amount and in a form sufficient (together with moneys held under the Trust Agreement), in the event of total or partial loss, to enable all Bonds then outstanding to be redeemed. Pursuant to the Facility Lease the County may self-insure for such risks.

The proceeds of all property insurance must be used to repair, reconstruct or replace the Facilities or any portion thereof which is destroyed or damaged or to redeem Bonds. The County self-insures its real property with respect to most hazards; the County maintains excess insurance coverage for claims over $100,000 and up to a maximum replacement value of $500 million [for all assets]. See "COUNTY FINANCIAL INFORMATION—Self-Insurance Programs" herein. The County currently insures all of its buildings against earthquake and flood damage through a property insurance policy, in the amount of $50 million per occurrence and $50 million in the aggregate. Such property insurance policy is subject to a deductible equal to 5% of the value of each building affected, or a minimum of $250,000, whichever is greater. **The County makes no pledge to maintain such insurance and may discontinue earthquake coverage at its sole discretion.** See "RISK FACTORS—Risk of Uninsured Loss" and "—Risk of Earthquake" herein. See also APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITY LEASE—Insurance" hereto.

The County will be required to maintain rental interruption or use and occupancy insurance to cover loss of rental income from or loss of the use of the Facilities as a result of any of the hazards covered by its insurance coverage required by the Facility Lease in an amount equal to maximum annual Base Rental Payments due under the Facility Lease for any two-year period, except that such insurance may be subject to a deductible clause of not to exceed $500,000 or comparable amount adjusted for inflation, and except that such insurance need be maintained as to the peril of earthquake only if available on the open market from reputable insurance companies at a reasonable cost.

The County obtained title insurance, in connection with the issuance of the Bonds, insuring the fee interest of the County and the leasehold interest of the Authority in the Facilities. [Such title insurance policy remains in effect with respect to the Facilities and no new title insurance policy will be obtained.]

Abatement. Base Rental Payments are paid by the County in each rental payment period for and in consideration of the right of use and occupancy of the Facilities during each such period for which said rental is to be paid.

The Base Rental Payments will be abated proportionately during any period in which by reason of any damage or destruction (other than by condemnation which is otherwise provided for in the Facility Lease) there is substantial interference with the use and occupancy of any portion of the Facilities by the County, in the proportion in which the cost of that portion of the Facilities rendered unusable bears to the rest of the Facilities. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facility Lease continues in full force and effect and the County waives any right to terminate the Facility Lease by virtue of any such damage or destruction. In the event the Facilities cannot be repaired during the period of time that proceeds of the County's rental interruption insurance will be available in lieu of Base Rental Payments (a period of two years) plus the period for which funds are available from the Reserve Fund, or in the event that casualty insurance proceeds are insufficient to provide for complete repair of the Facilities, there could be insufficient funds to cover payments to Bond owners in full. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITY LEASE—Fire and Extended Coverage and Earthquake Insurance" and "—Rental Interruption or Use and Occupancy Insurance" herein.

Default and Remedies

Events of Default under the Facility Lease include the following: (i) the failure of the County to pay any rental payable under the Facility Lease when the same becomes due and payable, (ii) the failure of the County to keep, observe or perform any term, covenant or condition of the Facility Lease to be kept or performed by the County after notice and the elapse of a 60 day grace period, (iii) the County's interest in the Facility Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, as provided for in the Facility Lease, (iv) the County or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the County's debts or obligations, or offers to the County's creditors to effect a composition or extension of time to pay the County's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the County's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the County, or if a receiver of the business or of the property or assets of the County shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the County shall make a general or any assignment for the benefit of the County's creditors, or (v) the County shall abandon or vacate the Facilities.

Upon the occurrence of any Event of Default described above, the County will be deemed to be in default under the Facility Lease, and the Trustee may exercise any and all remedies available pursuant to law or granted to the Authority pursuant to the Facility Lease and assigned to the Trustee pursuant to the Trust Agreement. Upon any such default, the Trustee, as assignee of the Authority, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(a) To terminate the Facility Lease in the manner in the Facility Lease provided, notwithstanding any re-entry or re-letting of the Facilities as described by paragraph (b) below, and to re-enter the Facilities and, to the extent permitted by law, remove all persons in possession thereof and all personal property whatsoever situated upon the Facilities and place such personal property in storage in any warehouse or other suitable place located within the County.

(b) Without terminating the Facility Lease, (i) to collect each installment of rent as it becomes due and enforce any other terms or provision of the Facility Lease to be kept or performed by the County, regardless of whether or not the County has abandoned the Facilities, or (ii) to exercise any and all rights of entry and re-entry upon the Facilities.

In addition to the other remedies set forth above, upon the occurrence of an Event of Default, the Trustee, as assignee of the Authority, shall be entitled to proceed to protect and enforce the rights vested in the Trustee, as assignee of the Authority, by the Facility Lease and under the Site Lease or by law or by equity. The provisions of the Facility Lease and the duties of the County and of its trustees, officers or employees shall be enforceable by the Trustee, as assignee of the Authority, by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Trustee, as assignee of the Authority, shall have the right to bring the following actions:

(a) *Accounting*. By action or suit in equity to require the County and its trustees, officers and employees and its assigns to account as the trustee of an express trust.

(b) *Injunction*. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.

(c) *Mandamus*. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the County (and its board, officers and employees) and to compel the County to perform and carry out its duties and obligations under the law and its covenants and agreements with the County as provided in the Facility Lease.

If an Event of Default occurs under the Facility Lease, there is no remedy of the acceleration of the total Base Rental Payments due over the term of the Facility Lease, and the Trustee is not empowered to sell a fee simple interest in the Facilities and use the proceeds of such sale to redeem the Bonds or pay debt service thereon. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITY LEASE—Default; Remedies" hereto.

FOR A FURTHER DESCRIPTION OF THE PROVISIONS OF THE FACILITY LEASE, INCLUDING THE TERMS THEREOF AND A DESCRIPTION OF CERTAIN COVENANTS THEREIN, INCLUDING CONSTRUCTION, MAINTENANCE, UTILITIES, TAXES, ASSESSMENTS, INSURANCE AND EVENTS OF DEFAULT AND AVAILABLE REMEDIES, SEE "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITY LEASE" IN APPENDIX D ATTACHED HERETO.

THE COUNTY OF SAN MATEO

General

The County was established on April 19, 1856. Located on the San Francisco Peninsula, coastal mountains run north and south through the County, dividing the lightly-populated western part from the heavily-populated eastern corridor between San Francisco to the north and Santa Clara County to the south. The County covers 447 square miles and contains 20 incorporated cities and the San Francisco International Airport. In terms of population, it is the 14th largest county in the State, with 718,451 persons according to the 2010 U.S. Census and 753,123 persons according to the California Department of Finance preliminary population estimates as of January 1, 2015. The county seat is located in Redwood City.

As of January 1, 2015, approximately 64,615 people lived in the unincorporated area of the County. The Board and County departments provide municipal services for the unincorporated area of the County, including but not limited to, law enforcement, fire prevention, land use and zoning, building permits and local road building and maintenance.

Police services are also provided by the County on a contract basis for the cities and towns of Half Moon Bay, Millbrae, Woodside, Portola Valley and San Carlos, each of which are within the County's boundaries.

County Government

The County is a charter county and is governed by the Board whose members serve four-year terms on a full time basis. Each member of the Board (a "Supervisor") must reside in one of five geographical districts in the County. The Supervisors are elected by the eligible voters of their district. The Board appoints the County Manager to administer County affairs. The County Manager appoints all non-elected department heads with the exception of the Chief Probation Officer. The Board appoints the County Counsel. Elected officials include the Assessor-County Clerk-Recorder, the County Controller, the County Coroner, the County District Attorney, the County Sheriff and the County Treasurer-Tax Collector.

Brief biographies of the Supervisors (in alphabetical order), the County Manager, the County Treasurer-Tax Collector and the County Controller follow:

Carole Groom was elected to the Board in June 2010. She is the current President of the Board in 2015, and also served as President in 2011. She is currently serves as the Supervisor for District 2. Prior to Supervisor Groom's appointment in 2009, she served nine years on the San Mateo City Council, including two terms as Mayor, and on the San Mateo Planning and Public Works Commissions. Supervisor Groom currently serves on the Bay Area Air Quality Management District Board of Directors, the San Mateo County Transportation Authority, and the San Mateo County Transit District's Board. In 2009, she originated "Streets Alive! Parks Alive!" in the County. In 2012, the San Mateo County Parks & Recreation Association honored her efforts with their "Champion of the Community" award. In December of 2012, she was appointed to the California Coastal Commission by Assembly Speaker John Perez. Her professional experience includes 18 years as a Vice President of Mills-Peninsula Health Services. She also serves on the Boards of Directors of the San Mateo Police Activities League, Community GatePath, and Leadership San Mateo. She is an Advisory Board Member of Palcare, a non-profit school and childcare center. Supervisor Groom resides in the city of San Mateo.

Don Horsley was elected to the Board in 2010 and assumed office in January 2011. He served one year as President of the Board in 2013. He currently serves as Supervisor for District 3. A former San Mateo County Sheriff, Supervisor Horsley also served as an elected member of the Sequoia Healthcare District prior to being elected to the Board of Supervisors. Supervisor Horsley also serves on the boards of Health Plan of San Mateo, the City/County Association of Governments, the San Mateo County Transportation Authority, the Housing Our People Effectively ("HOPE") Interagency Council, and the Local Agency Formation Commission. Supervisor Horsley has made agricultural issues on the coast and within the unincorporated area one of his priorities as a supervisor. Since approximately 70% of all Building and Planning issues for San Mateo County take place within the Third District's unincorporated areas, Supervisor Horsley is particularly committed to facilitating interaction between the public and the permitting process. He has also made it a goal to initiate health care options for people living in the Pescadero area of the South County. Supervisor Horsley lives in Emerald Lake Hills with his wife Elaine.

Dave Pine was elected to the San Mateo County Board of Supervisors in a special election in May 2011, and served as Board President in 2014. He represents District 1 which includes Burlingame, Hillsborough, Millbrae, San Bruno, and portions of South San Francisco; the unincorporated communities of San Mateo Highlands, Baywood Park and Burlingame Hills; and the San Francisco Airport. As a board member for the SF Bay Conservation and Development Commission, the SF Bay Restoration Authority, and the San Francisquito Creek Joint Powers Authority, Pine has worked extensively on the intersecting issues of flood control, sea level rise and tidal land restoration. He also serves on the governing boards of the Association of Bay Area Governments, the Bay Area Regional Collaborative, Joint Venture Silicon Valley, the San Mateo County First Five Commission, and the Health Plan of San Mateo. Supervisor Pine previously was a school board member for the Burlingame School District from 2003 to 2007 and the San Mateo Union High School District from 2007 to 2011. He is also a past president of the San Mateo County School Boards Association. Before focusing his career on public service, Pine worked as an attorney representing start-up and high-growth technology companies. After working in private practice with Fenwick & West, he served as Vice President and General Counsel for Radius, Excite@Home, and Handspring. Originally from New Hampshire, Pine is a graduate of Dartmouth College, where he was awarded a Harry S. Truman scholarship, and the University of Michigan Law School. He lives in Burlingame with his wife Jane and their two sons.

Warren Slocum was elected to the Board in November 2012 to represent District 4 and assumed office in January 2013. Prior to his election to the Board, Supervisor Slocum served as the Chief Elections Officer & Assessor-County Clerk-Recorder of San Mateo County for more than 25 years. He also served as the interim CEO of Peninsula TV for a year and a half, in between these elective posts. As a member of the Board, Supervisor Slocum sits on a number of boards and commissions, including the Association of Bay Area Governments, the Domestic Violence Council, HOPE Interagency Council, Redwood City 2020, the Workforce Investment Board, the Juvenile Justice & Delinquency Prevention Commission, and the AIDS Program Community Advisory Board. He co-chairs the Closing the Jobs/Housing Gap Task Force and led the effort to establish a Veterans Commission for San Mateo County. He is currently co-chairing the Measure A Funding Committee, which develops polices and makes recommendations to the Board for allocations of the recently approved 10-year half-cent sales tax measure for the County. He is a Vietnam veteran and holds a degree in History from San Diego State University. Supervisor Slocum, his wife and their two sons live in Redwood City.

Adrienne J. Tissier is currently serving her third and final term as the District 5 representative on the Board. Supervisor Tissier was first elected to the Board in November 2004 and was reelected in 2008 and in 2012. In her first two terms, she was elected twice as President of the Board of Supervisors. Supervisor Tissier represents the Board of Supervisors on the Metropolitan Transportation Commission, the transportation planning, coordinating and financing agency for the nine-county San Francisco Bay Area, serves on the Board of Directors for the San Mateo County Transit District, and is the Chair of the Peninsula Corridor Joint Powers Board (Caltrain) and the San Mateo Medical Center Board of Directors. Supervisor Tissier is also the Board of Supervisors liaison to the Commission on Aging, the Children's Fund and Jobs for Youth, and represents the Board on the Local Agency Formation Commission. Her extensive work in transportation and the senior community have been instrumental in assisting the County to prepare to meet the needs of a rapidly aging population by improving transportation and mobility options for seniors. Before her election to the Board, Adrienne was a businesswoman for more than 20 years and served as a councilmember in Daly City for eight years (1997-2004), including two terms as mayor (1999 and 2003). Supervisor Tissier holds an economics degree from the University of California, Berkeley, and lives in Daly City.

John L. Maltbie rejoined the County as County Manager in December 2011 after initially serving as the County Manager from March 1989 through December 2008. While serving the County, Mr. Maltbie has implemented fiscal programs such as performance-based budgeting, strategic planning, comprehensive financial evaluation, and capital planning and budgeting. Under his leadership, the County was the first county in the State to develop school-based children and family services, a Medi-Cal managed care system for medical and mental health patients, and a work-first model for welfare reform. As a strong proponent of collaborative relationships with other local governments and community organizations, he continued the County's long history of this mutually beneficial partnership with the formation of the City/County Association of Governments, Peninsula Partnership for Children, Youth and Families, San Mateo County Telecommunications Authority, and the Library Joint Powers Authority. He worked closely with the cities in developing a nationally recognized model for countywide emergency medical services. Mr. Maltbie's service in Public Administration began in 1972. After fulfilling his duties in the United States Army as First Lieutenant, he began his career in Santa Clara County, California as an Administrative Analyst where his work assignments involved fiscal administration and employee relations. Mr. Maltbie has also served as the City Manager for Milpitas, California and Glendale, Arizona, as well as Assistant County Executive for Santa Clara County. Mr. Maltbie has served as a member of the Speaker's Commission on State/Local Government Finance, the Joint Venture Silicon Valley Vision 2010 Team, and ICMA (International Cities/Counties Management Association) Performance Measurement Task Force and is the Chair of the ICMA, Performance Measurement-Youth Services Task Force. Mr. Maltbie holds a Masters of Arts Degree and a Bachelor of Arts Degree in Political Science with emphasis in Public Administration from San Jose State University.

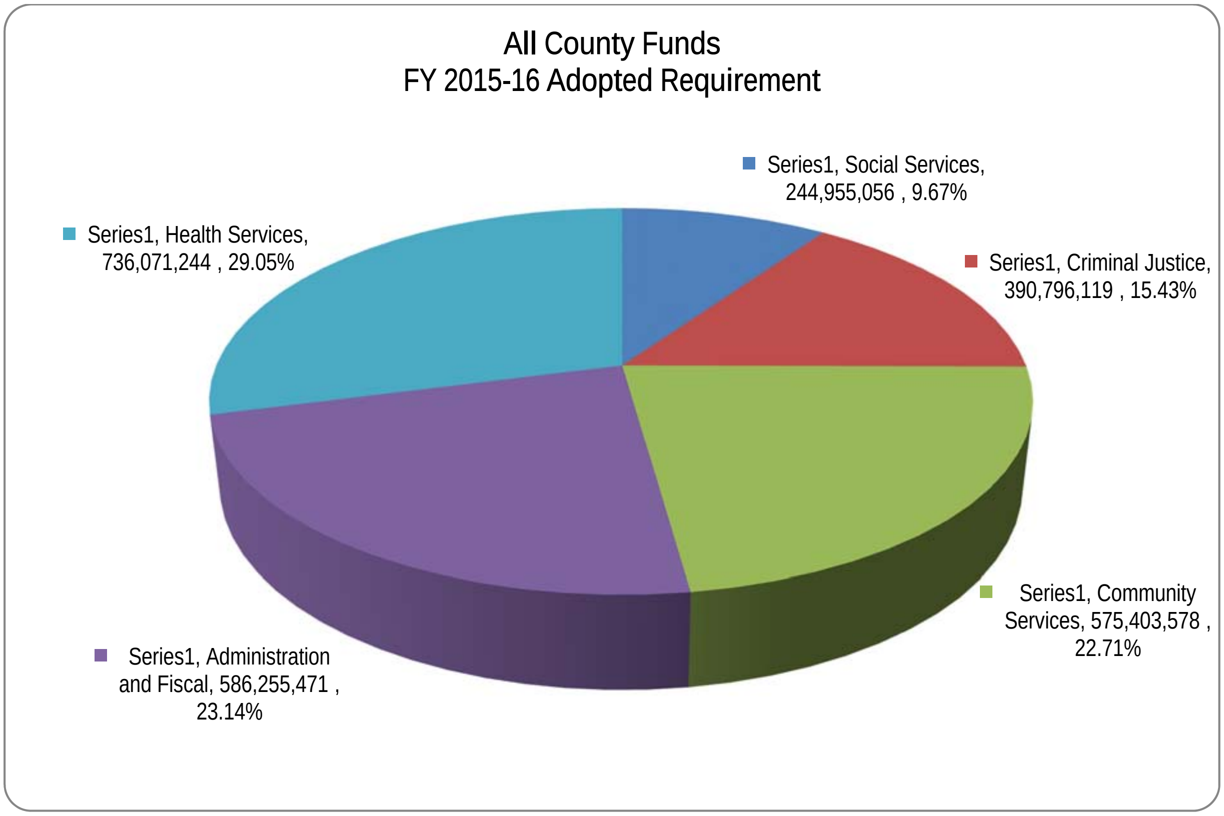
Sandie Arnott was elected to the position of County Treasurer-Tax Collector in November 2010. She was initially employed by the office in 1989 and promoted to County Deputy Treasurer-Tax Collector in 2002. Since her election, Ms. Arnott's priorities have been focused on improving payment processes, making them more efficient and green. She opened remote tax collection locations in South San Francisco and Half Moon Bay. Live chat website assistance and online property auctions were introduced in 2011. E-billing for Secured property taxes was made available for the 2015-16 tax year, and centralized cashiering services to provide taxpayers with one stop shopping capability for all county departments is set to go live in fiscal year 2015-16 as well. She is also currently researching property tax systems anticipating replacement of the current system by fiscal year 2016-17. Ms. Arnott recently realized success in her legislative campaign to reinstate the Senior Citizens and Disabled Tax Postponement Program. She currently serves as First Vice President for the California Association of County Treasurers & Tax Collectors ("CACTTC"), as well as the Bay Area Director and Executive Board Secretary. She serves on the CACTTC Legislation, School Finance and Education Committees. She is a Director on the Broadmoor Property Owner's Association Board and served as President of Women in County Government in 1997-98.

Juan Raigoza assumed the office of County Controller in January 2015. Controller Raigoza began working for the County of San Mateo Controller's Office in 2001 as a senior internal auditor. He later became the payroll division manager and then the controller's information systems division manager. Prior to being elected as Controller, he was the County's Assistant Controller for three years. During his time with the County, Controller Raigoza developed expertise in governmental accounting, auditing and internal controls. His knowledge of information systems, operations management and financial accounting enabled him to assess business and accounting functions and develop business processes and information technology solutions to improve operational and financial performance. Leveraging this expertise allowed Controller Raigoza to successfully lead the implementation of a new payroll system. Other countywide initiatives include replacing paper time sheets with an automated timekeeping system and upgrading the County's financial accounting system. Controller Raigoza is a member of the Government Finance Officers Associations (GFOA) and Chair of the Bay Area Group of the State Association of County Auditors. Controller Raigoza's office has received the GFOA's Award for Excellence in Financial Reporting for the County of San Mateo's Comprehensive Annual Financial Report for 15 consecutive years and the Popular Annual Financial Report for 13 consecutive years. Prior to joining the County, Raigoza worked for two Big-4 accounting firms. He worked as a State and Local Tax Consultant for Ernst & Young and as a Management Consultant for Deloitte & Touche, where he primarily advised public sector clients. Raigoza also worked as a Tax Auditor for the California Franchise Tax Board, where he conducted income tax compliance audits of large multi-national corporations headquartered in the San Francisco Bay Area. Controller Raigoza has an undergraduate degree in Business Administration with a concentration in finance and accounting, and a Master's of Business Administration (MBA) from the California State University, Chico.

County Services

Many of the County's functions are required under County ordinances or by State or federal mandate. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, which may, under some conditions, limit the County's ability to control its budget. However, under designated State and federal programs, eligible costs are subject to reimbursement according to specific guidelines.

The chart below shows the General Fund expenditures for each of the major service areas from fiscal year 2015-16:



Health-Related Services.

General. Under State law, the County is required to administer State and federal health programs, and to provide for a portion of their costs with local revenues, such as sales and property taxes. These services are provided under the County's health system (the "Health System"), which includes the following divisions: Aging and Adult Services/Public Authority, Behavioral Health and Recovery Services, Correctional Health, Emergency Medical Services, Environmental Health, Family Health, Health Administration, Health Coverage Unit, Health Information Technology, Public Health Policy and Planning, and San Mateo Medical Center. The County is also responsible for all medical care of the indigent pursuant to State law. The County provides services to all County residents regardless of their ability to pay.

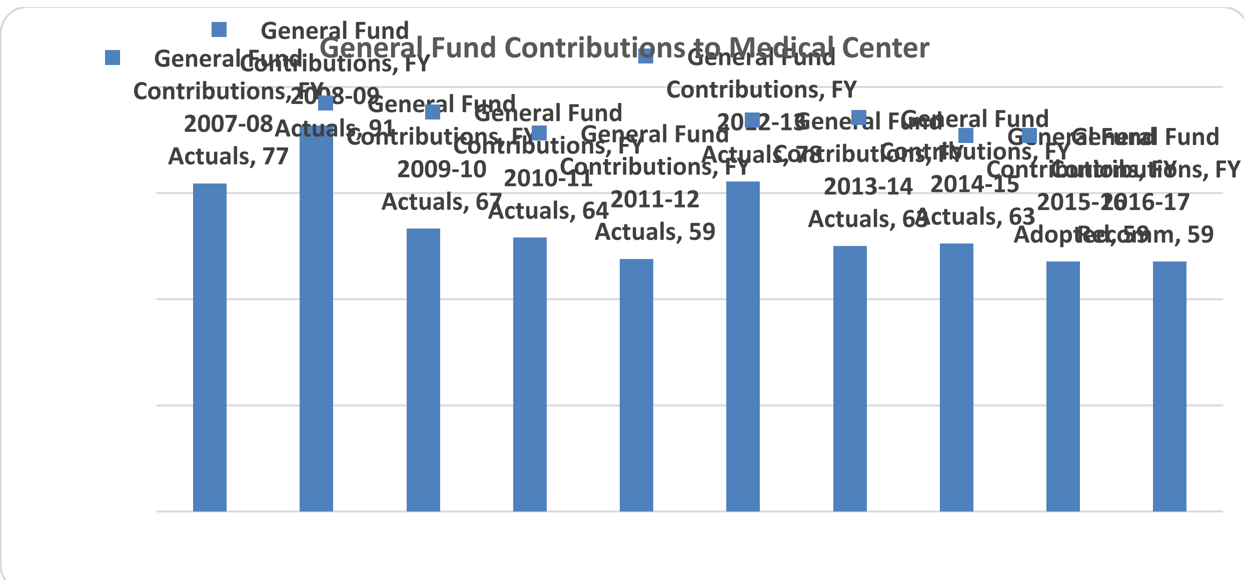
The Board approved $677.2 million for fiscal year 2015-16 in total requirements (expenditures and department reserves) for all Health System services and programs, or 26.7% of the County's fiscal year 2015-16 Adopted Budget for All Funds. The General Fund cost of all Health System services and programs (net of State and federal reimbursements and other revenue), is budgeted at $134.5 million, including $58.9 million in General Fund contributions to the Medical Center for the provision of indigent health care, a State mandate.

The cost of General Fund operating divisions within the Health System is funded with approximately 31.5% from State funds (including Realignment revenues described below), approximately 4.6% from federal funds, approximately 25.7% from charges for services, and approximately 22.2% from County funds, with the remaining 16.0% being funded primarily by aid from local agencies, miscellaneous revenues and existing fund balances.

The County owns and operates a 509-bed acute care hospital, as well as ten, primary care clinics, which are collectively referred to as the Medical Center. The hospital provides a full array of emergency, in-patient, psychiatric, imaging, laboratory, specialty health, skilled nursing, and surgical services. The clinics provide community-oriented primary and specialty care across the County and provided approximately 223,346 ambulatory visits to County residents in fiscal year 2014-15.

The Medical Center is operated as an enterprise fund, separate and apart from the County's General Fund. The Medical Center is funded by a number of revenue sources, including State and federal funds, pharmaceutical and medical supply sales, and net patient revenue, as well as contributions from the General Fund. The cost of the Medical Center is funded with approximately 38.4% from State and federal funds (including Realignment revenues described below), approximately 34.4% in net patient revenues, approximately 19.6% from County funds, with the remaining 7.6% being funded by the sales of pharmaceuticals and medical supplies, miscellaneous revenues and existing fund balances.

The County annually makes General Fund contributions to support the operations of the Health Center. In fiscal year 2014-15, the Medical Center received a $63.1 million contribution from the General Fund. The County has budgeted contributions from the General Fund for fiscal years 2015-16 and 2016-17, as well as for the next two fiscal years (for financial projections purposes) at roughly the same level. See "Fiscal Year 2015-16 and Future Year Budgets" herein. The chart below illustrates that General Fund historical and budgeted contributions to the Medical Center over a ten year horizon. The County believes that the increased revenues as a result of Health Care Reform, including the Affordable Care Act (See "Health Care Reform" below), as well a strong commitment towards cost containment and other health care initiatives will mitigate the need for increased General Fund contributions, despite the increased patient load resulting from the Affordable Care Act and potential reduction of State realignment funds. See "State Funding" below. . The spike in fiscal year 2012-13 was due to a one-time allocation of $18 million to cover the transition of Burlingame Long Term Care to a private provider, a move which the County anticipates will also contribute to the Medical Center's long-term financial stability.



See "COUNTY FINANCIAL INFORMATION—State Reimbursement Payments" herein for a description of the financing of the County Medical Center. See also APPENDIX C – "AUDITED COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR 2014-15."

Health Care Reform. The Affordable Care Act (ACA) changed health care coverage for Americans in two significant ways. It expanded Medicaid (called Medi-Cal in California) to cover more impoverished individuals and provides subsidies for low and middle income Americans who can now purchase insurance through State-established health insurance marketplaces.

The County is now seeing the effects of the expansion of Medi-Cal under the ACA. As of August 1, 2015, the Health Plan of San Mateo (HPSM), a separate legal entity from the County, had 39,000 additional Medi-Cal members for a total Medi-Cal membership of 110,000. This significant increase in Medi-Cal member enrollments is due to the outreach efforts of the County's Human Services Agency, the Health System, and many community partners.

An additional change with California's implementation of the ACA is the addition of treatment for substance use and moderate mental illnesses for adults enrolled in Medi-Cal. Medi-Cal benefits were previously limited to treating only those with very serious mental illness conditions. This growth in Medi-Cal membership and benefits is presenting challenges to the County's Health System.

As a direct result of the ACA, the Medical Center is now serving 20,000 additional Medi-Cal members. At the same time, the number of patients served by the County's Access and Care for Everyone (ACE) program has declined. The ACE program is designed to meet the County's indigent healthcare responsibilities and serve County residents who are not eligible for Medi-Cal, Medicare, private insurance or other third-party payers. Enrollment in ACE has declined by approximately 15,000 members in the past ___ years. In addition, because a greater percent of the patients served by the Medical Center now have insurance, the Medical Center's is less reliant upon State realignment funds. However, the dramatic increase in patients has also stressed the Medical Center's capacity to serve Medi-Cal members, as they are required to be seen for urgent, primary and specialty care within specified timeframes – standards that the ACE program does not have.

In July 2014 the HPSM announced that it has funding (through AB 109) for these new Medi-Cal members and services (for substance use and mental illnesses) that HPSM will pay to the Health System. These additional payments will help to provide additional resources needed by the County to deliver improved health care services to its residents. See "State Funding" below.

Other County Services

Justice Services. The County criminal justice system is supported primarily by local County revenues and State funding. State legislation adopted in 1997 transferred responsibility from the counties to the State for providing court facilities for all judicial officers, support positions and court operations. . The County is responsible for maintenance of effort ("MOE") requirements for court-related fines and forfeitures and court operations, including County facility payments for court facilities transferred to the State in fiscal year 2008-09 in compliance with the Trial Court Facilities Act of 2002 (the "Trial Court Act"). The County Sheriff's Department provides Countywide law enforcement services to local police departments on request, including training of police officers employed by cities, narcotics and vice enforcement, investigation of arson, homicide and consumer fraud, and assistance through the crime laboratory in locating and analyzing evidence from crime scenes. The County Sheriff is also responsible for the incarceration of pre-trial and post-adjudicated adults by running the County jails. The fiscal year 2015-16 adopted budget for the County's Sheriff's Office is $220 million or 12.9% of the General Fund budget, including a General Fund cost (net of State and federal reimbursements and other revenue, including Proposition 172 sales tax revenue collected by the State and apportioned to the County for public safety services) of $101 million.

The County currently operates the following five adult jails: the Maguire Correctional Facility, the Women's Correctional Center, the Minimum Security Transitional Facility, the Weekender Dorm, and the Maple Street Correctional Center, which will be completed and available for occupancy in March 2016. For fiscal year 2014-15, the average daily inmate population was 904 inmates and is anticipating to increase to _____ in fiscal year 2015-16.

Jail overcrowding, which had been an issue within the County, has improved with the passage of Proposition 47. To address the women's inmate population, overflow from the Maguire Correctional Facility, and inmate growth projections that result from the passage of Assembly Bill 109 – Public Safety Realignment ("AB 109") in 2011, which shifts the responsibility of housing low-level offenders from the State to counties, the County decided to construct the Maple Street Correctional Center, a 275,000 square foot three-story housing unit, designed to accommodate a total of 576 beds for both men and women, with the option to develop the Shell to house 256 additional inmates in the future should the inmate population increase beyond the capacity of the Correctional Center and the Maguire Correctional Facility. Construction of the Maple Street Correctional Center commenced in April 2013 and will be completed and available for occupancy in March 2016. The County estimates that total architectural and construction costs for the Maple Street Correctional Center will be approximately $165 million. The Maple Street Correctional Center, including the site acquisition, was financed with the proceeds of the

$175,065,000 Lease Revenue Bonds (Capital Projects), 2014 Series A (Maple Street Correctional Center) issued by the Authority for the benefit of the County. (See "COUNTY FINANCIAL INFORMATION —Indebtedness—Long Term Obligations" herein). In fiscal year 2014-15 the Board of Supervisors approved plans to develop the warm shell and add 256 inmate beds at a cost of $25,611,000. This project will be funded with General Fund ERAF reserves and is expected to be occupied in _______, 20__. See "COUNTY FINANCIAL INFORMATION — 2015-16 County Budget" herein.

The County also maintains a juvenile justice facility within a youth services center, which was refinanced with the proceeds of the Authority's Refunding Lease Revenue Bonds (Youth Services Campus), 2008 Series A (which bonds are being refinanced through the issuance of the Bonds offered hereby). See "COUNTY FINANCIAL INFORMATION—Indebtedness—Long Term Obligations" herein. The 178,441 square foot youth services center includes the following: a 170-bed juvenile hall; a 10-bed girls' camp that is housed within the juvenile hall and currently used for providing daytime school and counseling services to female youth; juvenile courts; probation offices; administration and education building; and a health clinic. See "The Facilities" above.

Human Services. The County provides a variety of services to our low-income and under-served populations. Through the Human Services Agency, the County conducts administration of public assistance benefits, veterans services, health insurance eligibility, employment services, placement and skills training, child care services, child protective services, foster placement and adoption, foster youth transition support, STEM engagement, and homelessness reduction, prevention, and shelter referrals.

The General Fund cost of all human services programs (net of State and federal reimbursements and other revenue) is budgeted for fiscal year 2015-16 at $41.8 million, a 15.3% increase from fiscal year 2014-15. The Board approved $233.4 million in total requirements for all human services programs in the 2015-16 County Budget or approximately 13.7% of the General Fund budget. The cost of all human service programs is being funded approximately 46.4% with State funds (including Realignment revenues (described below), approximately 21.4% with federal funds and approximately 17.9% with County funds, with the remaining 14.4% being funded from miscellaneous revenues, charges for services and existing fund balances.

Disaster Services. The County coordinates a network of disaster services to handle floods, fires, storms, earthquakes and other major emergencies.

The San Mateo Office of Emergency Services ("OES"), a division of the County Sheriff's Department, operates under a Joint Powers Agreement between the County and the 20 cities of the County. OES provides training, emergency response coordination, and planning and related services for a total General Fund cost of $3.0 million.

General Government. The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes and distribution of taxes to cities, successor agencies to redevelopment agencies, special districts, local school districts and the County for a total General Fund cost of $8.7 million in fiscal year 2015-16.

A second major government service is the County's voter registration and election system, which serves over 357,000 registered voters and provides 486 voting precincts and 211 polling places throughout the County for a total General Fund cost of $5.4 million in fiscal year 2015-16.

Parks and Recreation. The County operates a network of 17 parks and recreational facilities which serve over 1.8 million park visitors annually. The County park system encompasses 16,183 acres and contains reservable buildings, campgrounds and shelters for a total General Fund cost of $10.5 million in fiscal year 2015-16.

Libraries. The County operates a library system, governed by a joint powers authority, which is comprised of 12 community libraries and one bookmobile. The network of libraries serves approximately 2.4 million visitors annually for a total General Fund cost of $136,396 in fiscal year 2015-16 (out of a total County cost of $[23] million).

County Employment

The number of authorized permanent employment positions in the 2015-16 County Budget was 5,406 of which [505] are currently vacant. The following table sets forth the total number of authorized County employment positions for fiscal years 2006-07 through 2015-16.

Table 2
COUNTY OF SAN MATEO
AUTHORIZED PERMANENT EMPLOYMENT POSITIONS
Fiscal Years 2006-07 to 2015-16

Fiscal Year	Authorized Permanent Employment Positions
2006-07	[5,719]
2007-08	[5,871]
2008-09	[5,844]
2009-10	[5,530]
2010-11	[5,441]
2011-12	[5,305]
2012-13	[5,184]
2013-14	[5,303]
2014-15*	[5,407]
2015-16	5,406

* [Beginning in fiscal year 2014-15, the County Library (a non-County, largely self-supporting entity) authorized positions are included for informational purposes only.]

Source: County.

Employee Relations and Collective Bargaining

County employees are represented by 13 bargaining units comprising ten represented labor organizations and three unrepresented groups of employees. The principal represented labor organizations include the American Federation of State, County and Municipal Employees Local 829 (“AFSCME”) and Service Employees International Union Local 521 (“SEIU”)], which together represented approximately [65.4%] of all County employees in a variety of classifications as of November 3, 2015. There has never been any major work stoppage by County employees. As of November 3, 2015, approximately [88.2%] of all County employees were covered under negotiated agreements.

Labor contracts are in place for all bargaining units. Unionized County employees and their appropriate bargaining agents as well as non-represented employees are shown in the following table as of November 3, 2015.

Table 3
COUNTY OF SAN MATEO
EMPLOYEE BARGAINING REPRESENTATION
AND NON-REPRESENTED EMPLOYEES
(As of November 3, 2015)

	Number of Employees[(1)]	Contract Expiration Date
Bargaining Agents:		
AFSCME	2,046	October 6, 2018
California Nurses Association	341	September 23, 2017
Deputy Sheriffs Association	396	January 2, 2016
SEIU	1,662	October 6, 2018
Building Construction and Trades Council	70	February 9, 2019
Union of American Physicians and Dentists	114	May 4, 2019
San Mateo County Council of Engineers	14	February 23, 2019
Probation and Detention Association	255	[May 21, 2016]
Organization of Sheriff's Sergeants	63	April 10, 2016
Law Enforcement	39	December 29, 2018
Non-represented employees:		
Unrepresented Attorneys	77	N/A
Confidential	100	N/A
Management	494	N/A

(1) Excludes Court employees.

Source: County.

During fiscal year 2014-15, the County completed negotiations with most bargaining units. As a result of the newly negotiated agreements, as well as the addition of 122 authorized positions, annualized salary and benefit increases amount to $51.6 million in fiscal year 2015-16, representing an increase of 8.9% in salary and benefitsfrom the fiscal year 2014-15 adopted General Fund budget. See "COUNTY FINANCIAL INFORMATION" below.

The results of negotiations with the two largest bargaining units are summarized below.

In the fall of 2014, employees represented by the American Federation of State, County and Municipal Employees ("AFSCME") received a 5.5% increase in base pay, of which 1% was in exchange for such employees picking up 50% of the retirement COLA adjustments, and a 0.5% was in exchange for changes to overtime eligibility. Employees represented by AFSCME received a 3% increase in October 2015 and future increases include 3% in October 2016 and 2-3% in October 2017 based on Bay Area CPI. The annualized increase for these adjustments from fiscal year 2014-15 to fiscal year 2015-16 is approximately 6.5%.

In the fall of 2014, employees represented by the Service Employees International Union ("SEIU") received a 4.5% increase in base pay, of which 0.5% was in exchange for changes to overtime eligibility. In July 2015 they received a 1% increase in exchange for such employees picking up 50% of the retirement COLA adjustments. Employees represented by SEIU received a 3% increase in October 2015 and future increases include 3% in October 2016 and 2-3% in October 2017 based on Bay Area CPI. The annualized increase for these adjustments from fiscal year 2014-15 to fiscal year 2015-16 is approximately 6.5%.

The County is currently negotiating with the Deputy Sheriff's Association and will be negotiating [two] other soon-to-expire contracts over the next several months. In the event a labor contract expires before the County reaches an agreement, the existing terms and conditions of employment will remain in place throughout the negotiations process. If the County and the represented organization reach an impasse (i.e., there is a deadlock in negotiations), mediation is available wherein a State "mediator" will confer with the parties and attempt to resolve any remaining issues. If such mediation is unsuccessful, then the represented organization may request further oversight by a three-person panel, consisting of one representative selected by the County, one representative selected by the represented organization and a chairperson that is mutually agreed upon by the County and the represented organization. If the County and the represented organization cannot reach agreement, the chairperson is selected by the Public Employment Relations Board. The three-person panel is empowered to conduct investigations and take any steps necessary to resolve the bargaining impasse. If the impasse is not settled within 30 days after the appointment of the three-person panel, the panel must submit written findings of fact and recommended terms of settlement to the parties. These findings and recommendations are made available to the public within 10 days of their receipt. Finally, should the mediation and fact finding procedures be exhausted, which would occur no earlier than 10 days after the issuance of the panel's written findings and recommendations, the County may implement its last, best and final offer. Prior to doing so the County must hold a public hearing regarding the impasse.

COUNTY FINANCIAL INFORMATION

The following is a description of the County's budget process, historical budget information, changes in fund balance, balance sheets, its major revenues and expenditures, indebtedness, investments and certain other financial information relating to the County.

Budget Procedures and Policies

The County is required by State law to adopt a balanced budget by October 2nd of each year. The County Manager's Office (the "CMO") prepares a five-year forecast of the County's General Fund revenues and expenditures based on current year expenditures, the Governor's annual proposed State budget, the State and local economy, and other projected revenue trends. Based on this forecast, the County budget is developed and projected resources are tentatively allocated to the various County programs. The County implemented a two-year budget process for fiscal years 2013-14 and 2014-15 and completed its second two-year budget for fiscal years 2015-16 and 2016-17 in September 2015. As part of its process for developing the budgets for such fiscal years, the County has projected General Fund discretionary revenue and expenses over a five-year planning horizon. See "—Fiscal Year 2015-16 and Future Year Budgets" below.

Each year, the CMO presents the recommended budget for the upcoming fiscal year to the Board. The Board is required by the County Budget Act to adopt a recommended budget for the upcoming fiscal year no later than June 30.

Between January and the time the State adopts its own budget (which is legally due no later than June 15th (but which has historically been delayed from time to time)), representatives of the CMO monitor, review and analyze the State budget and all adjustments made by the Legislature of the State (the "State Legislature"), as well as all other expenditure and revenue trends. Upon the State's adoption of its budget, the CMO recommends revisions to the County's recommended budget to align County expenditures with revenues.

The County has historically employed extensive fiscal planning and conservative budget practices to ensure that annual revenues plus available resources are sufficient to cover ongoing annual expenses while maintaining healthy fund balances. As a matter of policy, the County conservatively differentiates ongoing revenues and ongoing expenditures from revenue sources that it deems temporary. In addition, fund balances and reserves are viewed as one-time sources of funding used only for one-time purposes or as part of a multi-year financial plan to balance the budget. By adhering to these policies, the County avoids operating deficits created through dependency on one-time funding for ongoing expenditures.

In order to ensure that the budget remains in balance throughout each fiscal year, each month the CMO monitors actual expenditures and revenue receipts. In the event of a projected year-end deficit, immediate steps are taken to ensure expenditures and revenues are balanced.

2015-16 County Budget

The Board of Supervisors has adopted the County's two-year budget for fiscal years 2015-16 and 2016-17 (the "Recommended Budget"). The Recommended Budget for fiscal year 2015-16 was presented to the Board in June 2015 and was tentatively adopted on June 24, 2015. Following year-end closing activities, September budget revisions, including final fund balance adjustments, were presented to the Board for final adoption on September 22, 2015. The General Fund budget for fiscal year 2015-16 amounts to $1.7 billion, representing an increase of 13.6% or $203.7 million over fiscal year 2014-15. The increase was largely due to new contracts with most bargaining units, the addition of [108] permanent positions, and significant one-time outlays for capital and IT improvements, including those funded with Measure A (Half-Cent) Sales Tax proceeds. The proposed budget for fiscal year 2016-17 was received by the Board and formal action adopting the recommended budget for fiscal year 2016-17 will occur in June 2016.

The General Fund ended fiscal year 2014-15 and began fiscal year 2015-16 with a fund balance of $416.5 million inclusive of General Fund contingencies and reserves, which is $45.8 million more than the prior fiscal year. This increase was largely due to Excess Educational Revenue Augmentation Fund (ERAF) proceeds of $117.9 million and the State's one-time allocation of pre-2004 SB90 mandates of $11.6 million, offset by mid-year salary increases of $22.1 million, one-time IT initiatives of $17.9 million, one-time capital improvements and land acquisitions of $30.4 million, and an annual lump sum contribution to the San Mateo County Employees' Retirement Association (SamCERA) of $10 million in keeping with the Board's plan to eliminate the County's unfunded pension liability by 2023, as further described in "—Retirement Program—Annual Pension Cost" below. See also "—County General Fund Reserves and Reserves Policies" herein.

The following table presents the summary of the General Fund budget for the current fiscal year and each of the four previous fiscal years, as set forth in the respective adopted budgets.

Table 4
COUNTY OF SAN MATEO
ADOPTED COUNTY BUDGET – GENERAL FUND
Fiscal Years 2011-12 through 2015-16

	Adopted 2011-12 Budget	Adopted 2012-13 Budget	Adopted 2013-14 Budget	Adopted 2014-15 Budget	Adopted 2015-16 Budget
SOURCES:					
Taxes:					
Property Taxes[1]	$264,593,522	$275,148,732	$279,709,294	$303,816,934	$338,695,161
Excess ERAF[2]	39,639,993	40,000,000	40,000,000	40,000,000	55,000,000
Sales Taxes[3]	18,831,727	23,505,899	25,441,900	26,767,962	25,786,000
Measure A Sales Tax[4]	–	–	41,064,557	55,353,451	98,907,618
All Other Taxes	6,652,644	13,502,276	17,726,440	20,939,561	25,130,203
Licenses, Permits and Franchises	5,559,151	5,815,816	5,682,291	5,792,115	6,482,374
Fines, Forfeitures and Penalties	8,562,142	8,735,972	8,651,873	8,703,684	7,484,059
Use of Money and Property	6,893,990	7,186,424	9,018,203	7,308,017	8,550,086
Intergovernmental Revenues[5]	379,813,945	414,809,236	456,473,762	451,018,145	465,414,277
Charges for Services	101,866,236	107,754,073	109,433,736	112,618,497	142,489,014
Interfund Revenue	70,195,107	65,431,741	55,215,079	57,661,380	74,646,958
Miscellaneous Revenue	28,162,432	21,823,507	35,907,837	33,717,439	36,660,713
Other Financing Sources[6]	242,363	172,266	63,081,962[6]	513,422	460,542
Total Revenue	931,013,252	983,885,942	1,147,406,934	1,124,210,607	$1,285,707,005
Fund Balance	254,422,776	280,370,149	315,930,723	370,698,083	416,463,403
TOTAL SOURCES	$1,185,436,028	$1,264,256,091	$1,463,337,657	$1,494,908,690	$1,702,170,408
REQUIREMENTS:					
Salaries and Benefits	$556,479,576	$573,910,876	$651,904,153	$654,894,066	$730,697,936[7]
Services and Supplies	342,929,539	326,618,492	373,027,662	404,775,444	474,039,639
Other Charges	222,952,388	221,478,565	228,671,819	227,799,452	292,282,846
Fixed Assets	7,396,753	9,587,350	14,519,732	33,309,281	23,665,074
Other Financing Uses	44,631,334	121,715,839	161,191,988	151,843,255	177,115,444
Gross Appropriations	$1,174,389,590	$1,253,311,122	$1,429,315,354	$1,472,621,498	$1,697,800,939
Intrafund Transfers	(172,029,508)	(169,049,487)	(176,675,714)	(193,658,132)	(211,395,678)
Net Appropriations	$1,002,360,082	$1,084,261,635	$1,252,639,640	$1,278,963,366	$1,486,405,261
Appropriation for Contingency					46,146,586
Departmental Reserves					167,618,561
Contingencies/Dept Reserves	183,075,946	179,994,456	210,698,017	215,945,324	215,765,147
General Reserves (Non-Gen Fd)					–
Non-General Fund Reserves					–
TOTAL REQUIREMENTS	$1,185,436,028	$1,264,256,091	$1,463,337,657	$1,494,908,690	$1,702,170,408

(1) Property Taxes include Secured, Unsecured, Supplementals and In-Lieu VLF (as defined herein) amounts. See "—Sales Tax Triple Flip and VLF Property Swap" herein.
(2) See "—Return of Local Property Taxes – Excess ERAF" below.
(3) Sales Tax includes Sales and Use Taxes and In-Lieu Sales & Use Tax Revenue.
(4) Measure A became effective July 1, 2012. The County began receiving Measure A Sales Tax revenues in June 2013.
(5) Includes Realignment Revenues.
(6) Increase in fiscal year 2014-15 includes reimbursement for expenditures relating to 2014 Maple Street Correctional Center Project costs.
(7) During fiscal year 2014-15, the County entered into new labor contracts with most bargaining units, added 122 new positions and made a prepayment to SamCERA. See "—Employee Relations and Collective Bargaining" and "—Retirement Programs—County's Required Contributions."

Source: County Controller.

Fiscal Year 2015-16 and Future Year Budgets

General. Beginning in 2014, cross-departmental performance review teams evaluated program outcomes and productivity, and compared program performance to similar organizations (benchmarks). The teams work closely with supervisors, who are responsible for program success and for engaging and coaching their staff to perform work that aligns with organizational and community goals. County fiscal staff use the "off-budget" year to focus on process improvement initiatives to enhance organization efficiency and improve service delivery and to develop performance dashboards on the County's website that demonstrate progress in achieving the Board of Supervisors' Shared Vision 2025 community goals as well as goals being established for the Measure A sales tax proceeds.

As part of its process for developing the budgets for fiscal years 2015-16 and 2016-17, the County has projected General Fund discretionary revenue and expenses over a five-year planning horizon.

Projections described herein, including Tables 5, 6, 7 and 8, were generated by County staff to assist with the preparation of the County's biannual budget. Actual results during the projection periods are subject to a number of uncertainties relating to economic activity, population, State and federal expenditures and other factors. Therefore, actual results may differ from such projections, and such differences may be material.

Revenue Growth Projections.

General Fund and Discretionary Revenue. The following table represents the County's General Fund discretionary "revenue growth projections" for the current fiscal year and the following five fiscal years. This table contains projections of growth rates for the major sources of revenue under in the County's budgeting process. ; As noted above, actual results may differ from such projections and such differences may be material.

Table 5
COUNTY OF SAN MATEO
GENERAL FUND DISCRETIONARY REVENUE GROWTH PROJECTIONS
Fiscal Years 2014-15 through 2019-20

	Fiscal Year 2014-15 (Actual)(1)	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Secured Property Tax	8.3%	7.7%	5.0%	5.0%	4.0%	4.0%
Unsecured Property Tax	4.4	1.0	1.0	1.0	1.0	1.0
Excess ERAF (Ongoing Portion)	37.5	0.0	0.0	0.0	0.0	0.0
Vehicle Rental Tax (Measure T) (2)	-0.6	1.0	1.0	1.0	1.0	1.0
Sales Tax	-2.9	-4.1	3.0	3.0	3.0	3.0
Property Transfer Tax	18.1	3.0	3.0	3.0	3.0	3.0
Transient Occupancy Tax	15.6	2.0	2.0	2.0	81.9(3)	2.0
Property Tax In-Lieu of VLF	5.8	7.7	5.0	4.0	4.0	4.0
Interest & Investment Income	49.1	2.0	2.0	2.0	2.0	2.0
Other Revenue	9.2	0.0	0.4	0.4	0.4	0.4
Overall Growth	9.6	4.8	3.6	3.6	3.3	3.0
Public Safety Sales Tax (Prop. 172)	5.1	0.0	2.0	2.0	2.0	2.0
Measure A Sales Tax(4)	6.6	0.0	2.0	2.0	2.0	2.0

(1) Reflects actual growth and includes a number of one-time increases unique to fiscal year 2014-15
(2) Measure T became effective July 1, 2012. The County began receiving Measure T Vehicle Rental Tax revenues in October 2012.
(3) Assumes that the 350-bed Airport Hyatt opens in 2018 with an initial TOT revenue sharing agreement of 50/50 with the City of San Francisco.
(4) The County began receiving Measure A Sales Tax revenues in June 2013. Measure A sunsets March 31, 2023.

Source: County.

The following table shows the five-year projected aggregate growth in General Fund discretionary revenues from the current fiscal year to fiscal year 2019-20. This table contains projections; actual results may differ from such projections and such differences may be material.

Table 6
COUNTY OF SAN MATEO
GENERAL FUND DISCRETIONARY REVENUE PROJECTIONS – 5-YEAR PROJECTED GROWTH
Fiscal Year 2014-15 to Fiscal Year 2019-20

	Fiscal Year 2014-15	Fiscal Year 2019-20	5-Year Aggregate Growth
Secured Property Tax	$200,873,972	$256,331,176	$55,457,204
Unsecured Property Tax	8,922,558	9,393,711	471,153
Excess ERAF (Ongoing)(1)	55,000,000	55,000,000	0
Vehicle Rental Tax (Measure T)	12,181,009	12,802,363	621,354
Sales Tax	26,882,206	29,022,370	2,140,164
Property Transfer Tax	10,333,157	11,978,962	1,645,804
Transient Occupancy Tax	1,534,115	3,019,787	1,485,672
Property Tax In-Lieu of VLF	85,301,354	109,551,141	24,249,787
Interest & Investment Income	7,834,403	8,501,936	667,532
Other Revenue	35,679,890	36,304,954	625,064
General Purpose Revenue Growth	$444,542,665	$531,906,398	$87,363,733
Public Safety Sales Tax (Prop. 172)(2)	$75,826,325	$82,076,853	$6,250,528
Measure A Sales Tax(3)	$80,598,111	$87,241,987	$6,643,876
Excess ERAF (One-Time)	$62,935,895	$0	($62,935,895)

(1) One-half of anticipated Excess ERAF ($55 million) is budgeted and no assumptions for one-time revenues is made in future years.
(2) Collected by the State and allocated by the State Controller to each qualified county in proportion to its share of the total taxable sales in all qualified counties during the most recent calendar year.
(3) The County began receiving Measure A Sales Tax revenues in June 2013. Measure A sunsets March 31, 2023

These growth assumptions represent an increase in General Fund revenues of $87.4 million over the next five years. Based on the close of the secured tax roll, Secured Property Tax revenues will increase 7.7% in fiscal year 2015-16 and are projected to grow 4.0-5.0% in the out years for a projected increase of $55.4 million over the five-year period. Sales tax growth is projected to grow at 3.0% in the out years or $2.1 million. In addition, Property Tax In-Lieu of VLF, which grows at the same rate as Secured Property Tax, is projected to grow by $24.2 million (or ___%) over the next five years. See "—Impact of State Budget" and "—Sales Tax Triple Flip and VLF Property Tax Swap" herein. Transient Occupancy Tax (TOT) is expected to nearly double over the next five years primarily due to the anticipated opening of the 350-room Airport Hyatt in 2018. The County is currently negotiating with the City of San Francisco and the projections above factor in an initial cost sharing arrangement of 50/50 or $1.3 million. Finally, the Proposition 172 Public Safety Sales Tax, which is impacted by both local and statewide sales activity, is projected to grow 2% annually or $6.3 million over the five-year period.

Measure T Revenues. A ballot measure authorizing the County to levy a business license tax on operators of vehicle rental businesses in the unincorporated area of the County at a rate of two and one-half percent (2.5%) on the gross receipts of vehicle rental businesses in the unincorporated area of the County, collected on or after July 1, 2012, known as San Mateo County Vehicle Business License Tax, Measure T ("Measure T"), was approved by County voters and took effect July 1, 2012. In fiscal year 2012-13 through 2014-15, Measure T resulted in increased revenues of $____ million, $____ million and $____ million, respectively. The County expects sales tax revenues from Measure T proceeds to increase to $_____ million by fiscal year 2019-20. Measure T revenues are considered "ongoing" for purposes of the County's budget planning. See "—Five-Year Revenue and Expenditure Projections" below.

Measure A Revenues. A ballot measure to impose a temporary countywide half-cent sales tax increase, known as San Mateo County Sales Tax Increase, Measure A ("Measure A"), was approved by County voters and took effect April 1, 2013. The County expects sales tax revenues from Measure A proceeds to increase to $87.2 million by fiscal year 2019-20. Importantly, because Measure A sunsets March 31, 2023, sales tax revenues generated from Measure A are not considered "ongoing" for purposes of the County's budget planning. See "—Five-Year Revenue and Expenditure Projections" below.

Excess ERAF. The County also receives certain property tax revenues known as Excess ERAF (as defined below). Local taxing entities within the State, including the County, are mandated to shift a portion of their property tax dollars to the local Educational Revenue Augmentation Fund ("ERAF"), which is utilized to pay certain educational funding obligations of the State. The State uses funds from the ERAF to fund school districts up to their minimum State-guaranteed amounts. For some school districts, local property taxes are insufficient to fully fund the school district's minimum State-guaranteed funding amount, and the State is required to provide the difference ("LCFF Districts"), which is paid through ERAF monies. A school district that has property taxes equal to or exceeding the State guaranteed funding amount ("Basic Aid Districts") does not require funds from the ERAF. Pursuant to the State Revenue and Taxation Code, any property tax contributions made by local taxing entities to the ERAF in excess of the amount necessary to fully fund all LCFF Districts in the County to their State mandated school funding levels ("Excess ERAF") are returned to the local taxing entities that contributed to the ERAF. Since fiscal year 2003-04, the County has received approximately $887.4 million of Excess ERAF payments, including $117.9 million in fiscal year 2014-15. Because these distributions may be impacted by future property tax growth, school enrollment or State legislation reallocating ERAF funds, 50% of ERAF funds are not included in "ongoing revenues" and, by Board policy, are only available for "one time" uses. See "—County General Fund Reserves and Reserves Policies" and "—Return of Local Property Taxes – Excess ERAF" below.

Expenditure Growth Projections. Ongoing expenditures are expected to grow $122 million or 5.0% in the aggregate over the five-year period. The salaries and benefits will account for most of this 5.0% increase. Salaries and benefits are expected to grow by $120.4 million from fiscal year 2014-15 to fiscal year 2019-20, largely due to new four agreements with most bargaining units in the fall of 2014 and the addition of 122 permanent positions. See "Employee Relations and Collective Bargaining" above.

In its expenditure projections, the County factors in 9% annual growth for health benefits, 1% annual growth for dental benefits, and applies the blended retirement contribution rate of 32.4% (the statutory rate for fiscal year 2015-16) for fiscal years 2016-17 through 2019-20. Furthermore, the County uses a blended 30% offset to account for increased revenues that will result from federal and state funding, including grants, and increased fees and contract revenues. With these offsets, the net annual impact to the General Fund is projected to grow $84.2 million over the next five years (or ____% per year).

A summary of the increases for projected employee costs for the fiscal years 2014-15 through 2019-20 is provided below:

Table 7
SUMMARY OF SALARY AND BENEFITS INCREASES
Fiscal Year 2014-15 through 2019-20[1]

Expenditure	Fiscal Year 2014-15 Adopted Budget	Fiscal Year 2019-20 Projected	Increase	Aggregate Percent Change
Salaries	$338,339,573	$411,206,281	$72,866,708	21.5%
FICA & Medicare	20,390,150	24,859,325	4,469,175	21.9
County Retirement Contribution[2]	130,711,953	143,122,986	12,411,033	9.5
Health & Dental Benefits	72,671,200	102,514,393	29,843,193	41.1
Other Benefits	5,836,317	6,596,831	760,514	13.0
Total Salaries & Benefits	**$567,949,193**	**$688,299,816**	**$120,350,623**	**21.2%**
Claiming Revenue Offset (30%)			**$(36,105,187)**	
Net Increase in Salaries and Benefits			**$84,245,436**	

(1) Excludes overtime, extra help, prepayments to SamCERA and other labor costs.
(1) The percent change in the County's Retirement Contribution is below projected salary increases based on a statutory rate of [34.74]% in fiscal year 2014-15 reduced to 32.4% in fiscal year 2015-16. Despite the County's plan to aggressively pay down its unfunded pension liability, the statutory rate of 32.4% is used for projection purposes in fiscal years 2016-17 through 2019-20.

The other major contributors to the growth in expenditures include:

- Operation of the new Maple Street Correctional Center with 832 beds (including 256 additional beds with the build-out of the warm shell), which is expected to cost an additional $_____ million in the aggregate, due primarily to debt service and labor costs reflected in the table above;

- Contracts with outside providers for critical/mandated services, which are expected to increase by $3.3 million in the aggregate;

- Implementation of Laura's Law, an assisted out-patient mental health treatment program, will add $2.3 million in the aggregate; and

- General Fund contributions to the Medical Center, which is projected to remain level at $58.9 million during the five year period. See "County Services-Health Related Services" above.

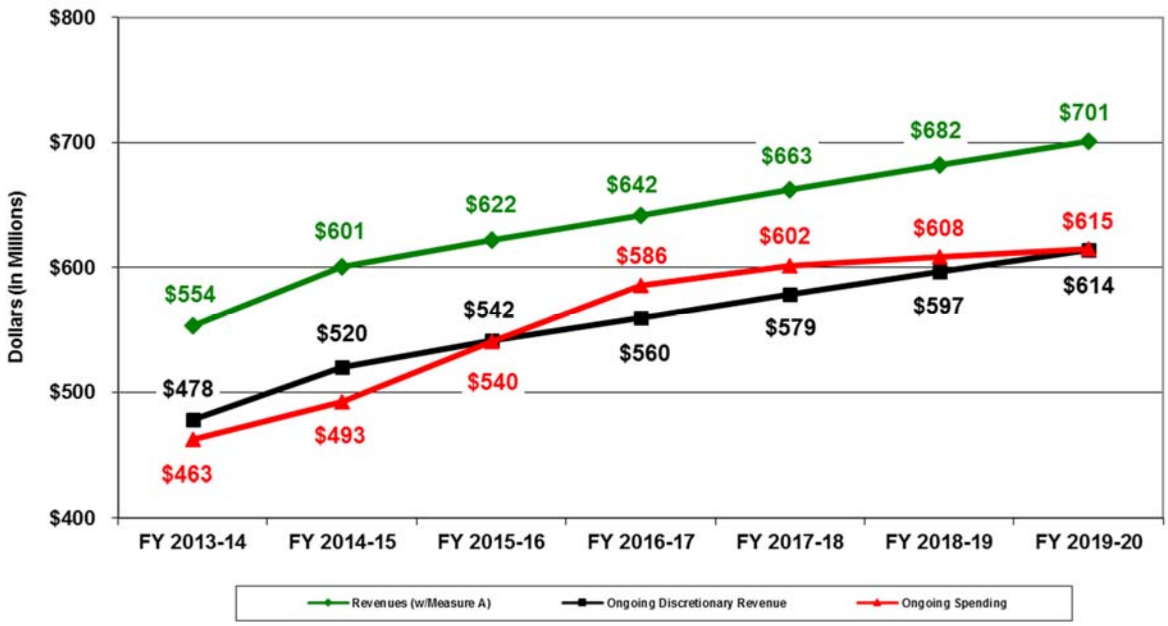
These expected projections do not include the County's plan to make additional contributions to the County's pension plan, which began with a $50 million contribution in fiscal year 2013-14 followed by annual contributions of $10 million through fiscal year 2022-23, nor do they include the additional contributions that result from funding the retirement system at a blended synthetic rate of [38]% even as the statutory rate declines, as further described in "—Retirement Program—Annual Pension Cost" below. These contributions, though ten years in duration, are considered one-time in nature and will be made from Excess ERAF revenues.

Five-Year Revenue and Expenditure Projections. The following table illustrates that, given the assumptions above, ongoing spending will exceed ongoing discretionary income through fiscal year 2019-20. . However, ongoing discretionary revenue, for County budget planning purposes, do not include Measure A sales tax revenues which are expected to generate between $80.5 and $87.2 million each year over the next five years. If Measure A revenues are included in discretionary revenue, then such revenues would exceed expenditures by approximately $86.6 million in fiscal year 2019-20. However, the ongoing spending projections in the table do not include the additional spending that will result from the allocation of Measure A revenues in discretionary revenue.

Also not included in the discretionary revenue projections are the remaining 50% of Excess ERAF moneys, which are currently being allocated for one-time purposes.

The following table contains projections; actual results may differ from such projections and such differences may be material.

Table 8
COUNTY OF SAN MATEO
GENERAL FUND DISCRETIONARY REVENUE AND EXPENDITURE PROJECTIONS[(1)]
Fiscal Years 2013-14 through 2019-20
($ in Millions)



(1) Amounts for fiscal year 2014-15 are actual. Amounts for fiscal years 2014-15 through 2019-20 are projected.
Source: County.

In 2015, the Board approved the use of $240.2 million of Measure A Sales Tax proceeds, including $39 million in prior year rollovers, for a variety of countywide projects in fiscal years 2015-16 and 2016-17. Because of its limited term nature (the tax sunsets in March 2023), Measure A proceeds are primarily devoted to one-time short-term purposes, including:

- contributions to the San Mateo County Transit District (SamTrans);
- early childhood learning (also known as the “Big Lift”);
- enhanced services to at risk children, seniors and veterans;
- a number of capital expenditures, including funds for a new 911 public safety dispatch and emergency operations center; new fire stations, engines and vehicles; library remodels; and
- funds to develop a financing plan to replace the Cordilleras Mental Health Facility.

For further information regarding the Cordilleras Mental Health Facility project, see “—Indebtedness—Anticipated Financings” herein.

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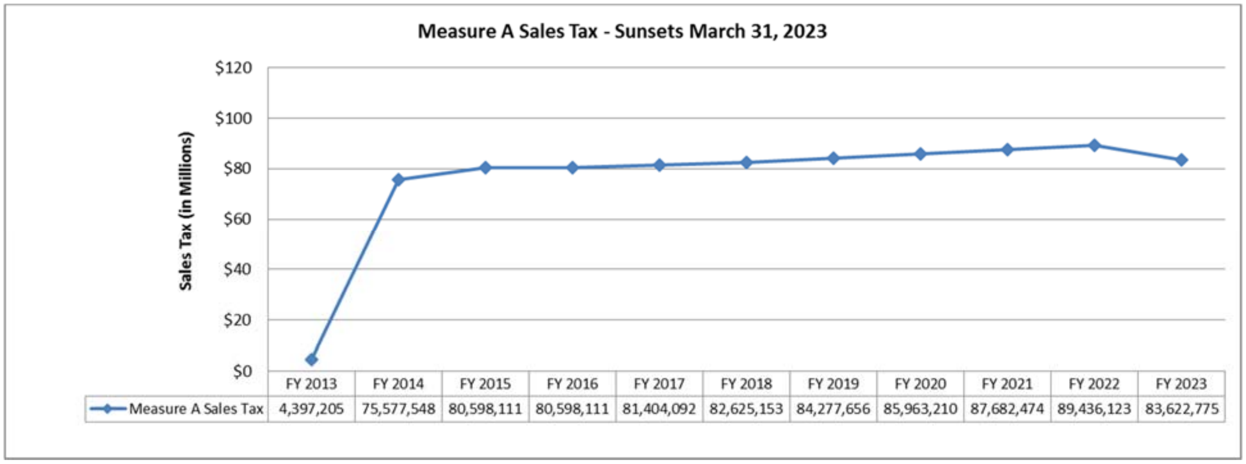
Assuming current revenue projections, it is estimated that Measure A funds totaling $20.7 million remain unallocated heading into the next two-year budget cycle (fiscal year 2017-18 through 2018-19).

The following table shows the revenue projections and appropriations of Measure A for fiscal years 2013-14 and 2014-15, and Measure A revenue projections for fiscal years 2015-16 through 2019-20. The following table contains projections; actual results may differ from such projections and such differences may be material.

Table 9
COUNTY OF SAN MATEO
MEASURE A SALES TAX REVENUE PROJECTIONS[(1)]
Fiscal Years 2012-13 through 2022-23



(1) Measure A sunsets on March 31, 2023; the decline in fiscal year 2022-23 is reflective of eleven months of projected revenue and accounts for the two month delay from point-of-sale activity and remittance by the State Board of Equalization to the County.

Source: County

County General Fund Reserves and Reserves Policies

The Board approved the original County Reserves Policy in April 1999 (the "Reserves Policy"). The County's fiscal officers initiated the creation of the Reserves Policy to reduce the negative fiscal impacts on the County during times of economic uncertainty and potential funding losses from other governmental agencies. On January 31, 2012, the Board authorized the use of 50% of future Excess ERAF proceeds for ongoing purposes; the rest can only be used for one-time purposes as described in the Reserves Policy. The table below describes the "one-time" use of Excess ERAF proceeds during recent years.

Table 10
COUNTY OF SAN MATEO
USE OF EXCESS ERAF
Fiscal Years 2007-08 through 2014-15

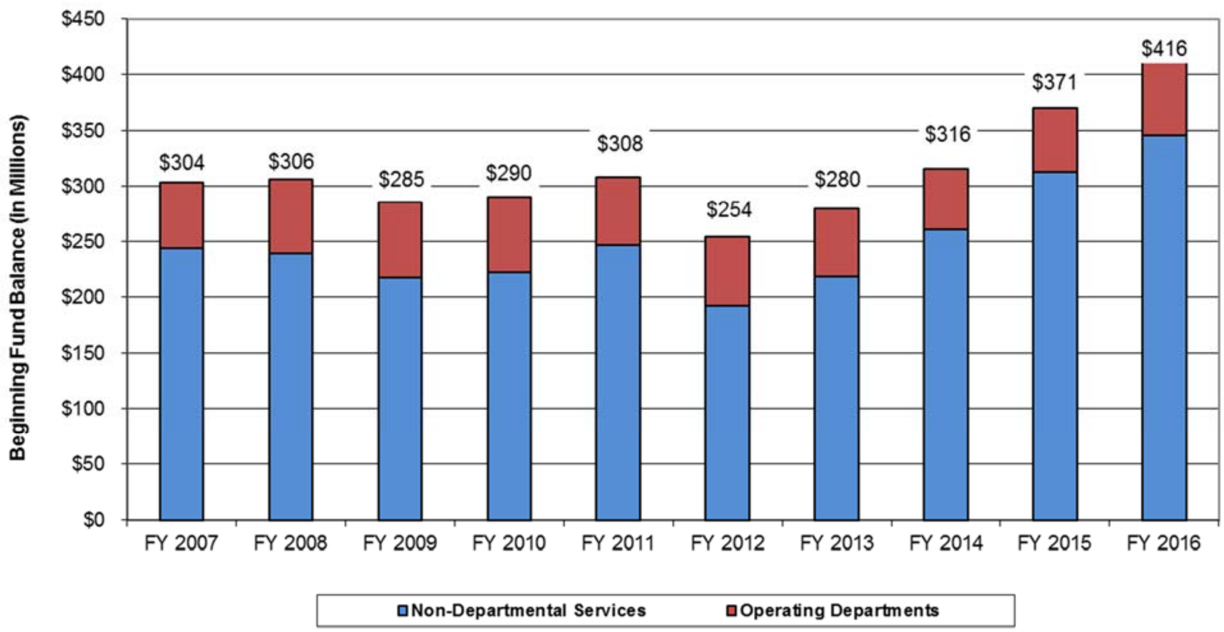
Fiscal Year	Amount ($ in Millions)	Use
2007-08	$141.2	Prefund the County's Other Post Employment Benefits ("OPEB")
2010-11	56.7	Purchase two office buildings and a parking garage for County use ($40 million) – which the County later sold for $87 million – and the purchase of the Maple Street Correction Center site ($16.7 million)
2012-13	11.0	Jail planning, architecture and site preparation relating to the Maple Street Correctional Center and the 2014 Project Site
2014-15	0.5	Jail planning, architecture and site preparation relating to the Maple Street Correctional Center and the 2014 Project Site

The Reserves Policy establishes a minimum General Fund reserves requirement of 10%, as follows: General Fund operating departments (2%), a General Reserve (5%), and General Fund Appropriation for Contingencies (3%). In addition, the Reserves Policy requires that the County set aside reserves for Countywide Capital Improvements ($2 million) and Countywide Automation Projects ($2 million), and provides guidelines for the use of these funds.

Pursuant to the Reserves Policy, departments shall maintain reserves of at least 2% of Net Appropriations to be used only for the following: (i) one-time emergencies, (ii) unanticipated mid-year losses of funding, (iii) short-term coverage of costs associated with unanticipated caseload increases, and (iv) short-term coverage of costs to avoid employee lay-offs provided there is a long-term financial plan to attain a structurally balanced budget. The General Fund Appropriation for Contingencies is available for one-time emergencies and economic uncertainties. The General Reserve of 5% is available for any lawful purpose. In fiscal year 2015-16, the appropriated General Fund Reserves and Contingencies of $215.8 million (or 14.5% of Net Appropriations) exceed the Reserves Policy's minimum reserves requirements of 10%. [In addition, in fiscal year 2015-16, the County appropriated reserves of $__________ for all funds, other than the General Fund.]

The following table presents the General Fund balance at the beginning of each of fiscal years 2006-07 through 2015-16.

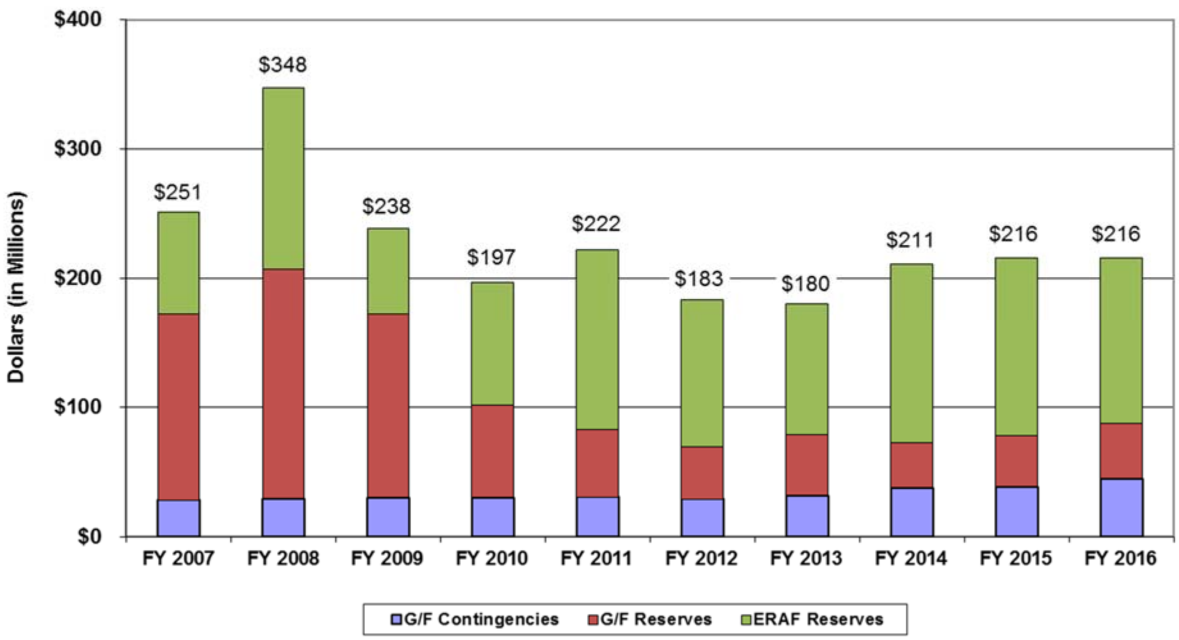
Table 11
COUNTY OF SAN MATEO
BEGINNING GENERAL FUND BALANCES
Fiscal Years 2006-07 through 2015-16
($ in Millions)



Source: County.

The following table represents appropriated General Fund contingencies and reserves, including Excess ERAF, for fiscal years 2006-07 through 2015-16. The County has historically appropriated 50% of Excess ERAF, which has the effect of lowering appropriated reserves. The difference between General Fund balance in the table above (Table 11) and the appropriated balance shown below represents an expenditure of reserves for one-time purposes.

Table 12
COUNTY OF SAN MATEO
GENERAL FUND CONTINGENCIES AND RESERVES
Fiscal Years 2006-07 through 2015-16
($ in Millions)



Source: County.

State Funding

Overview. California counties administer numerous health and social service programs as the administrative agent of the State and pursuant to State law. Many of these programs have been either wholly or partially funded with State revenues which have been subject each year to the State budget and appropriation process. Over the last several years, State and federally mandated expenditures in justice, health and welfare have grown at a greater rate than the County's discretionary general purpose revenues.

The County is heavily dependent upon the State for a significant portion of its revenues. The County's fiscal year 2014-15 adopted budget projects that in fiscal year 2014-15, approximately 25.5% of General Fund revenues will come from State aid, and the fiscal year 2015-16 budget projects that in fiscal year 2015-16, approximately 24.5% of General Fund revenues will come from State aid. See "2015-16 County Budget" above.

History of State Funding. Over the past twenty-five years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in the same decade, the 2001 recession and subsequent recovery, and the most recent economic downturn that started in 2008. With the steady improvement in the State economy since the 2008 recession and the passage of

Proposition 30 in the November 2012 election, the State has experienced significant improvement to its budget stability and overall financial condition.

The State's budgetary decisions in response to the changing economic environment will continue to have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

Fiscal Year 1991-92 Realignment Program

In Fiscal Year 1991-92, the State and county governments collectively developed a program realignment system (the "1991- 92 Realignment Program") that removed State funding for certain health and welfare programs, and provided counties with additional flexibility to administer such programs. Under the 1991-92 Realignment Program, certain health and welfare services are funded by a 0.5% increase in sales taxes and increased vehicle license fees. Since counties receive their share of the funding for health and welfare programs under a formula prescribed by State law, the flow of funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will still maintain responsibility for the management and cost of such programs.

On June 27, 2013, Governor Brown signed into law AB 85, which provides a mechanism for the State to redirect certain 1991-92 Realignment Program health care funding to social service programs. With California electing to implement a state-run Medicaid expansion pursuant to the Affordable Care Act, the State anticipates that the cost to counties for providing health care services to the indigent population will decrease as this population becomes eligible for coverage through Medi-Cal or the State-run health insurance exchange. The impact of the AB 85 legislation to the County is discussed earlier under "County Services—Health Related Services."

Public Safety Realignment

The approval of the Public Safety Realignment Act of 2011 (AB 109) transferred responsibility for the custody and supervision of specific low-level inmates and parolees from the California Department of Corrections and Rehabilitation to counties. Funding for AB 109 is financed by redirecting 1.0625% of State sales tax revenue and a portion of Vehicle License Fee revenues from the State to the counties. In November 2012, California voters passed Proposition 30, which created a constitutional amendment prohibiting the Legislature from reducing or removing AB 109 funding.

The Fiscal Year 2015-16 State Budget Act (the "State Budget Act") estimated AB 109 funding at $1.2 billion. The California State Association of Counties (CSAC) has submitted a recommendation to the State for a long-term funding distribution formula among the counties. Based on this formula, the County would maintain its funding allocation and receive approximately $18.2 million, which would provide full funding for all County AB 109 programs. In addition, the County Board of Supervisors has authorized the use of AB 109 reserves, accumulated from prior year unused AB 109 funding, to fund pilot programs designed to reduce recidivism and long-term incarceration costs among adult inmates with mental health illness and substance use disorders and/or are at high-risk of recidivating.

Redevelopment Agencies

Effective February 1, 2012, and pursuant to Assembly Bill x1 26 ("ABx1 26"), redevelopment agencies throughout the State were abolished and prohibited from engaging in future redevelopment activities. ABx1 26 requires successor agencies to take over from the former redevelopment agencies and perform the following functions:

- Continue making payments on existing legal obligations without incurring any additional debt.
- Wind down the affairs of the former redevelopment agencies and return the funds of liquidated assets to the county Auditor-Controller, who will in turn distribute these funds to the appropriate local taxing entities.

Under ABx1 26, property tax increment, which was previously distributed to redevelopment agencies, is no utilized to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining tax increment, otherwise known as "residual," is to be distributed as property tax revenue to the appropriate local taxing entities, including the County. As described under "Redevelopment Agencies" below, the County expects that the wind-down of redevelopment agencies will have a significant positive impact for the County.

[Senate Bill 107 (SB 107) modifies various aspects of the statewide redevelopment wind-down process. As a result, the bill allows enforceable obligations previously denied by the California Department of Finance to be placed on the Recognized Obligation Payment Schedule ("ROPS") for reconsideration. If approved, the enforceable obligations included on the ROPS will increase, leading to a decrease in the RPTTF residual balance available for distribution to local entities. The increase in enforceable obligations lowers the County's projection of RPTTF residual payment by $____ million.]

The cities with redevelopment agencies within the County are the successor agencies for their respective redevelopment agencies, and the Board has appointed members to provide oversight for the "winding down" of those agencies' financial affairs. After the wind-down is complete and all redevelopment obligations are paid, it is expected that the total tax allocations will be distributed to local taxing agencies, including the County. This will increase property tax revenues over time, which will be available for discretionary purposes.

The State Budget Process. The State's fiscal year begins on July 1 and ends on June 30, Pursuant to the State Constitution, the Governor of the State is required to propose a budget for the next fiscal year (the "Governor's Budget") to the State Legislature no later than January 10 of each year. The Governor's Budget is then revised in May and a final budget must be adopted by each house of the State Legislature by no later than June 15. The budget becomes law upon the signature of the Governor.

Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the State Legislature takes up the proposal. Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the State Legislature and signed by the Governor. The Budget Act must be approved by each house of the State Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the State Legislature. Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by each house of the State Legislature and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt. However, delays in the adoption of a final State budget in any fiscal year may affect payments of State funds during such budget impasse.

Impact of State Budget. Revenues from the State represent approximately 25% of the General Fund revenues appropriated in the budget for fiscal years 2014-15 and 2015-16, and thus changes in State revenues could have a significant impact on the County's finances. In a typical year, the Governor releases two primary proposed budget documents: (1) the Governor's Proposed Budget required to be submitted in January; and (2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. County policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the County adopting its own budget.

On June 24, 2015, Governor Brown signed the 2015-16 State Budget Act, which projected a beginning fund balance surplus from Fiscal Year 2014-15 of $2.423 billion, total revenues and transfers of $115.033 billion, total expenditures of $115.369 billion, and a year-end surplus of $2.087 billion for Fiscal Year 2015-16. Of the projected year-end surplus, $971 million will be allocated to the Reserve for Liquidation of Encumbrances and $1.116 billion will be deposited to the Special Fund for Economic Uncertainties. The 2015-16 State Budget Act provides for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of

$3.460 billion, which remains unchanged from the May Budget Revision. Throughout the Fiscal Year 2015-16 State budget process from the release of the Proposed State Budget to the 2015-16 State Budget Act, total revenues and transfers increased by $1.653 billion or 1.46%, and total expenditures increased by $2.071 billion or 1.83%. The total revenues and transfers of $115.033 million in the 2015-16 State Budget Act represent a $9.545 billion, or 9.0% increase from the 2014-15 State Budget Act, and reflects the continued improvement in the financial condition of the State.

[The 2015-16 State Budget Act is not expected to result in any loss of funding for County-administered programs, and includes a number of proposals that are favorable to the County. The State Budget Act includes the repayment of $765 million statewide in pre-2004 deferred State mandate payments owed to local governments, which will effectively payoff the State's remaining pre-2004 deferred mandate payments owed to local governments. The County's estimated share of this repayment in Fiscal Year 2015-16 is $13.8 million, of which the County has already received approximately $12 million.

The 2015-16 State Budget Act includes a base allocation for the AB 109/2011 Public Safety Realignment of $1.2 billion, which will provide sufficient funding for all County AB 109 programs. The County estimates that the 2015-16 State Budget Act will result in a $16.1 million redirection of 1991-92 Realignment Program funding from the County to the State, which remains unchanged from the May Budget Revision, but is a significant reduction from the [$___] million redirection for Fiscal Year 2014-15. The 2015-16 State Budget Act appropriates $245.3 million of total statewide funding for the counties to conduct Medi-Cal enrollment, which represents an increase of $95.3 million from the May Budget Revision. [The County is expected to receive $________ of such amount.]

The 2015-16 State Budget Act also directed that the State's Economic Recovery Bonds be paid during fiscal year 2015-16 and the "triple flip" would end. The State's Economic Recovery Bonds were repaid in August 2015. According to the Legislative Analyst's Office ("LAO"), in order to ensure that cities and counties are made whole for the entire triple flip, current law requires the State to transfer to cities and counties in fiscal year 2015-16 an amount equal to the sales tax generated during the first two quarters of fiscal year 2015-16 (the "Fiscal Recovery Countywide Adjustment Settle-Up"). Accordingly, the 2015-16 State Budget Act proposes approximately $845 million for the Fiscal Recovery Countywide Adjustment Settle-Up. In the event revenues in the special fund for the Economic Recovery Bonds are not sufficient to finalize the triple-flip, the State is expected to impose an additional cycle of the triple-flip.

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An analysis of the budget is posted by the California Legislative Analyst's Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information in such websites is prepared by the respective State agency maintaining each website and not by the County, and the County takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

Major Revenues

The County derives its revenues from a variety of sources including *ad valorem* property taxes, sales and use taxes, licenses and permits issued by the County, use of County property and money, aid from federal and State governmental agencies, charges for services provided by the County and other miscellaneous revenues. The approximate percentages of the County's total budgeted Governmental Funds revenues for fiscal years 2013-14 through 2015-16 are set forth in the following table.

Table 13
COUNTY OF SAN MATEO
SUMMARY OF BUDGETED REVENUE SOURCES
Fiscal Years 2013-14 and 2015-16

	Budgeted 2013-14	Budgeted 2014-15	Budgeted 2015-16
Taxes:			
Property Taxes[1]	20.46%	25.48%	24.54%
Excess ERAF[2]	2.88	3.47	4.10
Sales Taxes[3]	1.96	2.48	2.06
Measure A Sales Tax[4]	3.43	5.72	9.89
All Other Taxes	1.27	1.82	1.87
Intergovernmental Revenues:			
Aid from Federal Agencies	9.06	10.69	8.34
Aid from State[5]	23.90	28.38	26.73
Aid from Local Agencies	3.48	2.32	1.83
Charges for Services	8.09	9.77	10.62
Interfund Revenue	5.42	5.00	5.57
Licenses, Permits and Franchises	0.59	0.50	0.48
Fines, Forfeitures and Penalties	0.80	0.76	0.56
Use of Money and Property	0.68	0.63	0.64
Miscellaneous Revenue	2.65	2.93	2.73
Other Financing Sources	15.33	0.04	0.03
Total Revenue	100.00%	100.00%	100.00%

(1) Property Taxes include Secured, Unsecured, Supplementals and In-Lieu VLF amounts. See "—Sales Tax Triple Flip and VLF Property Tax Swap" herein.
(2) See "—Return of Local Property Taxes – Excess ERAF" below.
(3) Sales Tax includes Sales and Use Taxes and In-Lieu Sales & Use Tax Revenue.
(4) Measure A became effective July 1, 2012 and sunsets on March 31, 2023. The County began receiving Measure A Sales Tax revenues in June 2013.
(5) Includes Realignment Revenues. See "—Realignment Revenues" below.

Source: County Controller.

Ad Valorem Property Taxes

Taxes are levied each fiscal year on real and personal property situated in the County based on the assessed value of the preceding January 1 lien update. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and real property having a tax lien which is sufficient to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty is attached. In addition, properties on the secured roll that remain delinquent as of June 30 are considered to be in default. Such property taxes may thereafter be repaid by payment of the delinquent taxes and the delinquency penalty, plus an additional penalty of 1.5% per month up to the time of repayment. If taxes remain unpaid for a period of five years or more the property is subject to sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if unpaid on August 31. A ten percent (10%) penalty is attached to delinquent taxes on the unsecured roll and an additional penalty of 1.5% per month begins to accrue on November 1. The County has the following four ways of collecting unsecured personal property taxes: (i) filing a civil action against the taxpayer; (ii) filing a certificate in the office of the County Clerk-Recorder specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for recording in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (iv) seizing and selling of personal property, improvements or possessory interests belonging or assessed to the assessee.

In addition to the secured and unsecured rolls, taxes are levied on the supplemental roll, which captures increases and decreases in assessed values that happen during the year. The increases generally come from completion of new construction or changes in ownership which trigger reassessment. The due date of a supplemental bill is based on the date it is mailed and penalties are applied accordingly. Once a supplemental bill is considered delinquent it remains on the current roll for an additional fiscal year, after which it is transferred to the appropriate delinquent roll based on whether the supplemental bill was based on a secured or unsecured property.

As a relief from these taxes, State law allows exemptions from *ad valorem* property taxation of $7,000 of full value of owner occupied dwellings. However, the State reimburses all local taxing authorities for the loss of revenues imputed on these exemptions. The State Constitution and various statutes provide exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, tax-exempt nonprofit hospitals and tax-exempt charitable institutions.

The following three tables set forth certain information regarding County property tax collections for fiscal years 2005-06 through 2014-15. During fiscal year 2014-15, after the transfer required by State law to the ERAF (which the State utilizes for schools), these tax collections were allocated as follows: approximately 23% to the County, 16% to the cities, 9% to the special districts, 44% to the schools, and 8% to the Redevelopment Property Tax Trust Funds (“RPTTFs”) of the former Redevelopment Agencies (“RDAs”). See “—Return of Local Property Taxes – Excess ERAF” below. These property tax shares do not include property tax allocations from the RPTTF residual of the former RDAs. See “—Redevelopment Agencies” below.

Table 14
COUNTY OF SAN MATEO
SUMMARY OF TAX LEVIES AND COLLECTIONS
SECURED PROPERTY TAX ROLL
Fiscal Years 2005-06 through 2014-15

Fiscal Year	[General Fund] Secured Levy at June 30[1]	Amount of Current Levy Uncollected at June 30	Percent Current Levy Delinquent at June 30	Total Non-Current Levy Collections[2]
2005-06	$140,328,127	$1,866,364	1.33%	$13,500,067
2006-07	152,677,203	2,942,090	1.09	14,181,594
2007-08	164,670,885	5,453,900	3.31	21,149,692
2008-09	175,408,516	4,941,258	2.82	30,337,555
2009-10	177,454,751	3,886,259	2.19	36,181,418
2010-11	176,406,635	2,504,974	1.42	34,098,966
2011-12	176,571,467	1,977,600	1.12	23,983,232
2012-13	175,093,889	1,418,260	0.81	18,006,202
2013-14	184,064,188	1,196,417	0.65	15,686,002
2014-15	194,901,610	1,188,900	0.61	12,524,976

(1) Portion of the 1% levy expected to be directly allocated to the County General Fund net of the ERAF shift.
(2) Includes outstanding current and prior years’ redemptions, penalties and interest due to the County. See “—The Teeter Plan” herein.
Source: County Controller.

Table 15
COUNTY OF SAN MATEO
SUMMARY OF TAX LEVIES AND COLLECTIONS
UNSECURED PROPERTY TAX ROLL
Fiscal Years 2005-06 through 2014-15

Fiscal Year	Unsecured Property Levy at June 30(1)	Total Current and Non-Current Levy Collections(2)	Percentage of Total Collections to Original Levy
2005-06	$9,887,966	$8,971,357	90.7%
2006-07	9,529,637	8,104,306	85.0
2007-08	9,758,096	8,489,663	87.0
2008-09	12,110,729	9,188,849	75.9
2009-10	11,102,420	9,950,214	89.6
2010-11	8,857,596	8,537,093	96.4
2011-12	9,050,050	7,320,649	80.9
2012-13	8,893,859	8,511,465	95.7
2013-14	9,156,888	8,486,850	92.7
2014-15	9,233,592	8,922,558	96.6

(1) Portion of the 1% levy expected to be directly allocated to the County General Fund net of the ERAF shift.
(2) Includes outstanding current and prior years' redemptions, penalties and interest due to the County. See "—The Teeter Plan" herein.
Source: County Controller.

Table 16
COUNTY OF SAN MATEO
SUMMARY OF TAX LEVIES AND COLLECTIONS
SUPPLEMENTAL ROLL
Fiscal Years 2005-06 through 2014-15

Fiscal Year	Supplemental Roll Tax Change (Net) (1)	Total Collections at June 30 (2)	Percentage of Total Collections to Current Charge
2005-06	$13,226,295	$10,411,335	78.7%
2006-07	13,933,373	8,955,450	64.3
2007-08	12,911,574	9,099,483	70.5
2008-09	9,244,822	8,038,564	87.0
2009-10	6,532,771	4,663,007	71.4
2010-11	5,154,158	3,705,805	71.9
2011-12	5,326,311	4,145,402	77.8
2012-13	6,713,008	5,370,134	80.0
2013-14	10,440,152	8,092,088	77.5
2014-15	9,762,897	6,900,973	70.7

(1) Portion of the 1% levy expected to be directly allocated to the County General Fund.
(2) Includes outstanding current and prior years' redemptions, penalties and interest due to the County. See "—The Teeter Plan" herein.
Source: County Controller.

Redevelopment Agencies (RDAs)

The California Community Redevelopment Law authorized RDAs to issue bonds payable from the tax increment resulting from increases in assessed valuation of properties within designated project areas. In effect, local taxing authorities such as the County realized property tax revenues only on the frozen base year assessed valuations within these project area, and not on any subsequent increases in value.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the State budget for fiscal year 2011-12, to be constitutional. As a result, all RDAs in California were dissolved as of February 1, 2012, and all net tax increment revenues after payment of pass-through payments, redevelopment bonds debt service costs, administrative costs, and other recognized obligations allowed by the State are distributed to cities, counties, special districts and

K-14 school districts. The California Supreme Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22 (Proposition 22 prohibits the State from enacting new laws that require RDAs to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State). See "—Proposition 22" herein. ABx1 27 would have permitted RDAs to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling $1.7 billion Statewide. Trailing legislation to the State budget for fiscal year 2012-13 (the "2012-13 State Budget") further amended and supplemented ABx1 26, as did SB 107. See "—Redevelopment Agencies" above.

The cities in which the RDAs reside became the successor agencies, and the Board appointed members to provide oversight for the "winding down" of those agencies' financial affairs. After the wind-down is complete and all redevelopment obligations are paid, it is expected that the entire tax allocation amounts currently being distributed to the successor agencies of the RDAs will be redirected to local taxing agencies, including the County. This will increase property tax revenues over time available for discretionary purposes.

Assessed Valuations

General. The assessed valuation of property in the County is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization ("SBOE"). Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the State Constitution ("Article XIIIA"), except as provided therein.

The following table sets forth information relating to the assessed valuation of property in the County subject to taxation for fiscal years 2011-12 through 2015-16.

Table 17
COUNTY OF SAN MATEO
SECURED ROLL ASSESSED VALUATION
Fiscal Years 2011-12 through 2015-16
($ in Thousands)

Fiscal Year	Land	Improvements	Personal Property	Exemption	Net Total	% Change from Prior Fiscal Year
2011-12	$64,685,154	$71,699,581	$1,937,942	$3,776,891	$134,545,786	1.0%
2012-13	66,691,823	74,236,516	1,888,200	3,954,805	138,861,734	3.2
2013-14	71,325,753	78,511,586	1,761,223	4,092,508	147,506,053	6.2
2014-15	75,915,997	82,655,243	1,805,492	4,288,346	156,088,386	5.8
2015-16						

Source: County Assessor.

Appeals to Assessed Valuation. Under the California Constitution, property owners may protest the assessed value of their property to the County Assessment Appeals Board (the "AAB"). The AAB has jurisdiction to determine a property's full value and may raise or lower a property's assessed valuation, thereby affecting the amount of property taxes payable by the property owner for the tax year in question as well as future tax years. Annually, the County evaluates the protests filed by property owners and maintains, based on the opinion of County Counsel, adequate reserves to fund significant tax refunds in the event of a successful protest.

Appeals may be based on Proposition 8, the 1978 voter approved amendment to Article XIIIA of the State Constitution, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Pursuant to State law, a property owner may apply for a reduction of the property tax assessment for such owner's property, or the County Assessor may initiate Proposition 8 reductions in assessed value, independent of any individual property owner's appeal.

As described under "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING COUNTY REVENUES AND EXPENDITURES—Property Tax Rate Limitations – Article XIIIA," the full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors.

Assessment appeals granted typically result in refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Property tax refunds (whether the result of AAB decisions or Assessor-initiated roll corrections) for fiscal years 2009-10 through 2014-15 are listed in the following table. Other taxing agencies such as cities, special districts, and school districts share proportionately in the revenues associated with any refunds paid. The County's share (General Fund only) of such refunds varies from year to year. Of the $150.0 million in total refunds for fiscal year 2009-10 through 2014-15, the County's share was approximately $22.9 million (or approximately 15%).

Table 18
COUNTY OF SAN MATEO
REFUNDS OF PROPERTY TAXES

Fiscal Year	Amount Refunded From All Taxing Entities in County
2009-10	$24,337,918
2010-11	25,442,243
2011-12	42,025,531
2013-14	33,204,978
2014-15	22,892,133

Source: County Controller.

As of October 28, 2015 the total number of open appeals before the AAB, including appeals for all prior tax years, was 1,099. The difference between the current assessed values and the taxpayers' opinion of values for the open AAB appeals is approximately $18.1 billion. Assuming the County did not contest any taxpayer appeals and the AAB upheld all of the taxpayers' requests, the negative potential property tax impact to all taxing entities would be approximately $180.1 million of which approximately 12% (or $25.5 million) would be allocable to the County General Fund. However, the County anticipates that the actual impact will be significantly less as indicated by the historic data shown in Table 16 above. Further, to the extent that any assessment appeals are pursuant to Proposition 8 (temporary one-year adjustments), such assessed valuations are subject to upward revision in future years based upon increased market value. The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the County Assessor may ultimately grant. County revenue estimates take into account projected losses from pending and future assessment appeals.

See also "—Principal Taxpayers—Genentech Tax Settlement" and "—Pending Genentech Property Tax Assessment Appeals" below.

Property Tax Revenues and the Housing Market. Data published by Dataquick Information Systems ("Dataquick") shows that home sales in the County decreased 0.5% in 2014 as compared to 2013; however, the median price of a home in the County in 2014 increased by 19.4% as compared to the median price in 2013, from [$________ to $________]. According to Dataquick, as of January 2015, the median price of a home in the County was $785,000. Given that property tax revenues make up the County's largest source of General Fund revenues, the health of the local real estate market and the associated changes in property assessed values are key indicators of the financial outlook for the County. The fiscal year 2014-15 net Property Assessment Secured and Unsecured Roll values (approximately $165 billion as of July 1, 2014)] for the County increased 6.0% or approximately $8.8 billion compared to the prior year's property tax roll. This increase in property assessment value translates to an increase in general property tax revenues of about $88 million that are shared by all local agencies, including schools, cities, special districts and the County. However, this increase in property tax revenues does not take into account refunds, which are difficult to predict for any fiscal year. For example, in fiscal year 2013-14 the County processed approximately $22.9 million in secured, unsecured and supplemental refunds. See Table 18 above.

Taxation of State-Assessed Utility Property. The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the SBOE and taxed locally. Property valued by the SBOE as an operating unit in a primary function of the utility taxpayer is known as "unitary property," a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year. Currently, approximately 0.9061% of the County's total net assessed valuation constitutes unitary property subject to State assessment by the SBOE, for which approximately $15 million of property taxes were collected in fiscal year 2014-15. The portion of these tax collections attributable to the General Fund was $3 million.

Principal Taxpayers

General. The County's employer base is diverse and there is no concentration of employees in any one company or industry. In fiscal year 2014-15, the top ten property taxpayers only accounted for approximately 4.74% of the total assessed valuation in the County and the top taxpayer accounts for approximately 1.05% of the total assessed valuation in the County. Table 19 shows the ten largest taxpayers in the County, as shown on the 2014-15 tax rolls as of January 1, 2015, and the approximate amounts of their total assessed values. Table 20 shows the taxes paid by the ten largest taxpayers based on the combined local rolls in fiscal year 2014-15. Table 21 shows the taxes paid by the ten largest taxpayers based on the secured roll in fiscal year 2014-15. Approximately 14% of these tax revenues are received by the County.

Table 19
COUNTY OF SAN MATEO
TEN LARGEST TAXPAYERS
2014-15 ASSESSED VALUES
ENTIRE ROLL-SECURED AND UNSECURED
($ in Thousands)

Taxpayer	Nature of Business	Taxable Assessed Value[1]	% of Total Taxable Assessed Value[2]
Genentech	Biotechnology	$1,725,388	1.05%
United Airlines	Air Carrier	1,571,117	0.94%
Gilead Sciences Incorporation	Biopharmaceutical	1088,788	0.65%
Oracle Corporation	Software	641,639	0.39%
Oracle Corporation	Software	641,566	0.39%
Slough BTC LLC	Lease	585,299	0.35%
Slough SSF LLC DE	Lease	498,615	0.30%
BRE Properties Inc.	Real Estate	415,695	0.25%
Alexandria Real Estate Equities	Real Estate	381,162	0.23%
Wells Real Estate Investment Trust	Real Estate	333,162	0.20%
		$ 7,882,431	4.74%

(1) Assessed valuation (including unitary utility valuation) as of January 1, 2015.
(2) Total taxable assessed value as of January 1, 2015, was approximately $166 billion. This amount is subject to pending appeals. See "Pending Genentech Property Tax Assessment Appeals" below.
Source: County CAFR, Fiscal Year Ended June 30, 2015.

Table 20
COUNTY OF SAN MATEO
TEN LARGEST TAXPAYERS
TAXES PAYABLE AND PAID[(1)]
Fiscal Year 2014-15

Taxpayer	Amount
United Airlines	$17,414,813.72
Genentech	16,372,707.96
Gilead Sciences Inc	11,911,564.76
Google, Inc.	7,062,554.76
Slough BTC LLC	6,266,801.58
Oracle Corporation	5,367,182.24
Slough SSF LLC DE	5,338,672.52
BRE Properties INC	4,597,945.36
Wells REIT II	3,663,443.92
Virgin America	3,359,147.77
TOTAL	$81,354,834.59

(1) Secured and Unsecured. Utilities not included.
Source: County Tax Collector.

Table 21
COUNTY OF SAN MATEO
TEN LARGEST TAXPAYERS
SECURED TAXES PAYABLE AND PAID[(1)]
Fiscal Year 2014-15

Taxpayer	Amount
Genentech	$16,372,707.96
Gilead Sciences Inc.	11,911,564.76
Google Inc.	7,062,554.76
Slough BTC LLC	6,266,801.58
Oracle Corporation	5,367,185.24
Slough SSF LLC DE	5,338,672.52
BRE Properties Inc.	4,597,945.36
Wells REIT II	3,663,443.92
Brittania Pointe Grand LP	3,138,436.48
Westport Office Park LLC	3,080,696.76
TOTAL	$66,800,009.34

(1) Utilities not included
Source: County Tax Collector.

Genentech Tax Settlement. In April 2011, the County settled property tax claims brought by Genentech, Inc. ("Genentech"), the County's largest tax payer, that the company paid excess taxes for the tax years 1990 through 1999 (the "Genentech Settlement"). The original dispute arose when Genentech challenged the methodology used to determine the taxable value of its land, buildings, fixtures and equipment. The allegations included claims for refunds of tax payments and claims asking for revisions to the methods, formulas, and calculations used to determine taxable property categories and values. The Genentech Settlement not only included a resolution of the valuation of the property at issue, but also encompassed a refund due pursuant to a 2016 Court-issued Writ ordering the enrollment of the property values on certain Genentech assessment appeal applications for tax years 1994 to 1999. The County agreed to credit Genentech with $26.5 million in property taxes plus interest over the next six years. The County credited $1.1 million in fiscal year 2010-11, $7.0 million in fiscal year 2011-12, $5.9 million in fiscal year 2012-13, and $3.1 million in each of the fiscal years 2013-14, 2014-15, and 2015-16. The remaining $3.1 million will be credited in fiscal year 2016-17.

Pending Genentech Property Tax Assessment Appeals. There are also currently outstanding appeals before the AAB brought by Genentech with respect to the assessed values of its property for tax years 2000 through 2005. Genentech's appeal applications routinely claim a 50% reduction in the value of its properties as assessed by the County. In considering the Genentech assessment appeals, the AAB has determined that for several appeals for tax year 2003, Genentech is entitled to have its application values applied. Depending upon interest and the precise calculations used to determine the reduction of assessed value, the total refund and interest thereon is currently estimated to be between $5 million and $7 million. [The AAB decision regarding Genentech's remaining assessment appeals for tax years 2000 through 2005 is expected on or about February 2016. In the event Genentech were to fully prevail and have all of its remaining application values applied, the estimated refunds and interest would be in the range of $10 million to $13 million.]

Return of Local Property Taxes – Excess ERAF

Pursuant to the State Revenue and Taxation Code, Excess ERAF is returned to contributing local taxing entities in proportion to their contributions. The County is one of three "excess" ERAF counties in the State. This is due to the relatively high number of Basic Aid Districts in the County and the relatively high property tax revenues received by County school districts. Excess ERAF distributions could be impacted by property tax revenues received by school districts, changes in school enrollment, implementation of the LCFF (as defined below) or State legislation attempting to utilize ERAF funds for other State purposes.

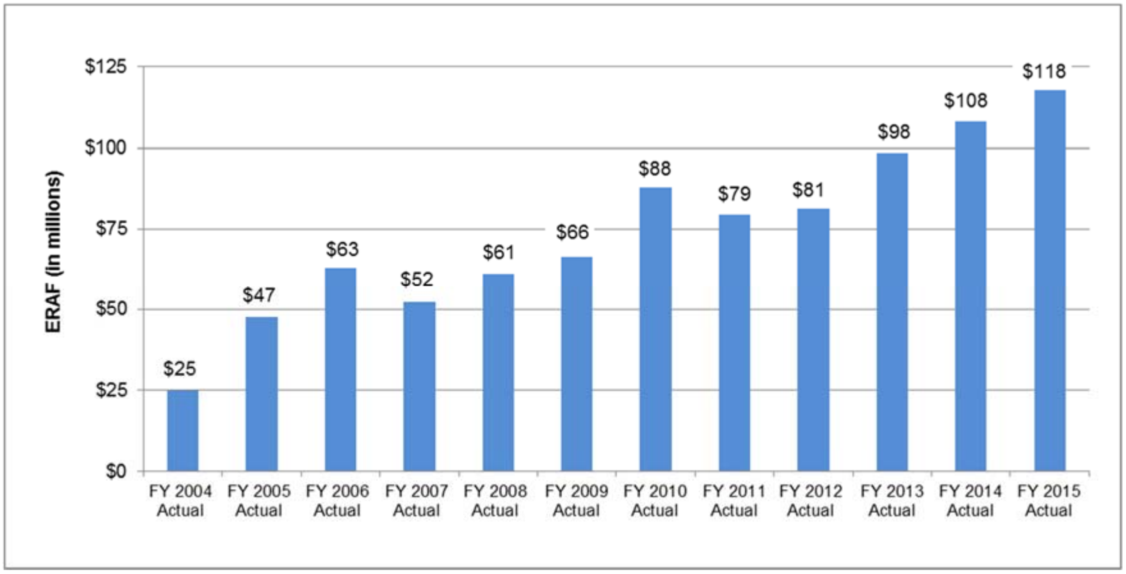
The 2014-15 State Budget restructured the State's funding system for school districts and charter schools through the implementation of the Local Control Funding Formula (the "LCFF"). The LCFF system replaces existing funding formulas for funding limits and most categorical programs with a weighted student formula. Based on information to date, the LCFF has the general effect of reducing the Excess ERAF amounts returned to local taxing entities, including the County.

The CMO is working closely with the County Controller's Office, the County Counsel's Office and the County Office of Education to determine the fiscal impact of the LCFF to the County's share of Excess ERAF, however, such determinations may only be made on a year-by-year basis.

Due to the potential volatility of Excess ERAF, the County continues to conservatively budget only 50% of the projected General Fund apportionment of Excess ERAF for ongoing purposes. Pursuant to Board policy, the remaining 50% of Excess ERAF may only be used for one-time purposes, including reductions in unfunded liabilities, capital and technology payments, productivity enhancements, and cost avoidance projects. For further information describing the County's budgeting and receipt of Excess ERAF payments, see "—County General Fund Reserves and Reserves Policies" above. See also "COUNTY FINANCIAL INFORMATION—Impact of State Budget" herein.

Since fiscal year 2005-06, the County has received approximately $887.5 million in excess ERAF, including $117.9 million in fiscal year 2014-15. The following table presents the County's share of Excess ERAF payments received for fiscal year 2003-04 through 2014-15.

Table 22
COUNTY OF SAN MATEO
SHARE OF EXCESS ERAF PAYMENTS
Fiscal Years 2003-04 to 2014-15
($ in Millions)



Source: County.

Sales Tax Triple Flip and VLF Property Tax Swap

In 2004, Senate Bill 1096 ("SB 1096") mandated a revenue shift whereby certain moneys previously distributed to local government entities (i.e., sales and use taxes and VLF) would instead be diverted to the State for its purposes or otherwise eliminated. These revenue shifts became known as the "Triple Flip" and the "VLF Swap."

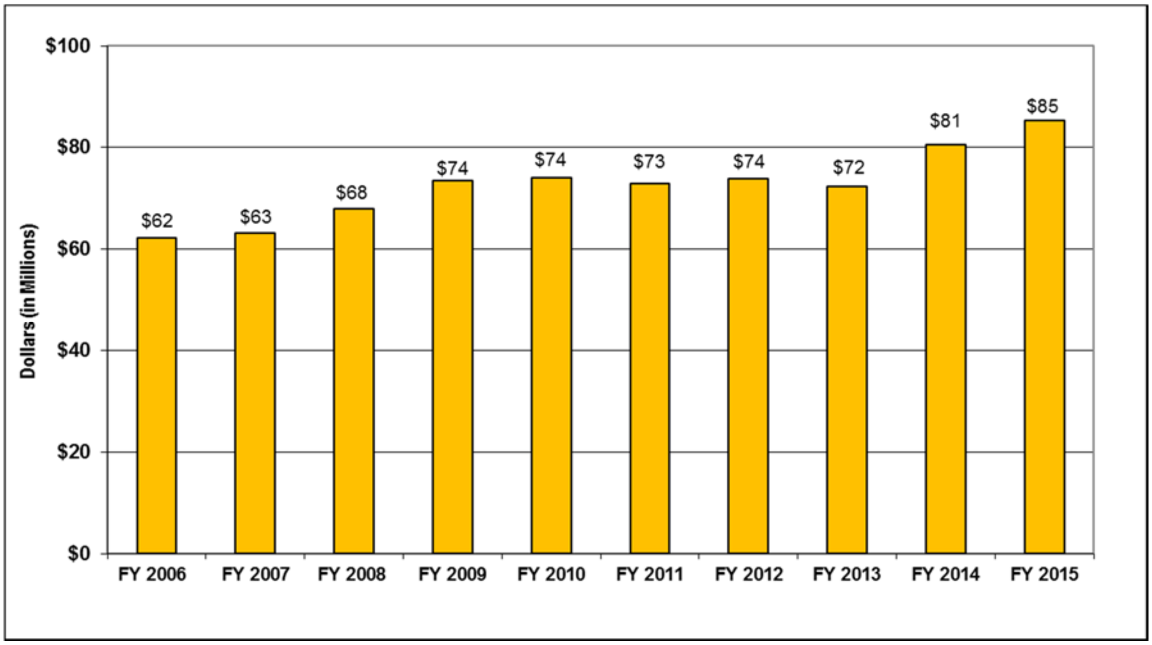
In the case of "Triple Flip," sales and use taxes that previously went to counties and cities were instead pledged for the repayment of the State's Economic Recovery Bonds. Counties and cities were repaid their lost sales and use taxes from the local ERAF moneys that were to be distributed to Revenue Limit Districts, now referred to as LCFF Districts. With the full repayment of the Economic Recovery Bonds in August 2015, the State has begun the process of unraveling the "Triple Flip." However, the 2015-16 State Budget appropriates $845.0 million to provide a "settle-up" to ensure that counties will be made whole for the sales tax generated during the first two quarters of fiscal year 2015-16.

With respect to the "VLF Swap," the loss in VLF revenues to the cities and counties resulting from the permanent decrease in the VLF rate was replaced by In-Lieu VLF to be taken from the ERAF and, if necessary, from Revenue Limit Districts' local property taxes. No funds can be taken from Basic Aid Districts.

As the number of Basic Aid Districts in a county increases, the pool of ERAF and property tax revenues from which the Triple Flip and In-Lieu VLF amounts can be paid decreases. As a result, counties that have all, or almost all, Basic Aid Districts lack sufficient ERAF moneys and Revenue Limit District property taxes to pay the Triple Flip and In-Lieu VLF amounts. As the number of Basic Aid Districts increases, the County and cities within the County could potentially face shortfalls in their Triple Flip and In-Lieu VLF amounts.

Since fiscal year 2005-06, the County has received approximately [$561.6 million from In-Lieu VLF amounts.] The following table shows the amounts the County has received from In-Lieu VLF amounts for fiscal years 2005-06 through 2014-15.

Table 23
COUNTY OF SAN MATEO
PROPERTY TAX IN-LIEU OF VEHICLE LICENSE FEES
Fiscal Years 2005-06 through 2014-15
($ in Thousands)



Source: County

The Teeter Plan

In 1993, the Board adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. Pursuant to the Teeter Plan, the County establishes a tax losses reserve fund, and a tax resources fund and each entity levying property taxes in the County may draw on the amount of uncollected taxes and assessments credited to its fund in the same manner as if the amount credited had been collected. The Teeter Plan has resulted in net revenue for the County for each year since its adoption.

The tax losses reserve fund covers losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property (i.e., if the sale price of the property is less than the amount owed in property tax). The appropriate amount in the fund is determined by one of the following two alternatives: (i) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (ii) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The legally required set aside, at the end of fiscal year 2014-15, was approximately $[___] million, or [1.0%,] of the total tax levies on secured properties within the tax areas of participating entities. As of June 30, 2014, the County had reserved $[____] million of non-General Fund funds for the Teeter Plan.

The County is responsible for determining the amount of the tax levy on each parcel which is entered onto the secured tax roll. Upon completion of the secured tax roll, the County's Controller determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100% of the tax and assessment levies to that fund's credit. Such moneys may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected. The County determines which moneys in the County Treasury (including those credited to the tax losses reserve fund) shall be available to be drawn on to the extent of the amount of uncollected taxes credited to each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax-defaulted property, Teeter Plan moneys are distributed to the apportioned tax resources fund.

Intergovernmental Revenues

Aid from other governmental agencies is one of the County's largest revenue sources, accounting for approximately $572.7 million in the 2015-16 County Budget, or approximately 30.9% of the County's total revenues (all funds). The County derives approximately 36.2% of its total General Fund revenues from State and federal sources. Decreases in revenues received by the State can affect subventions made to the County and other counties in the State. In addition, actions taken by Congress and federal executive branch agencies including, without limitation, reductions in federal spending, could reduce the revenues received by the County. Federal payments are largely derived from Welfare Aid and Medicaid programs. See "County Services above.

State Reimbursement Payments

The San Mateo County Medical Center (the "Medical Center") is part of the Medical Center. In fiscal year 2014-15, approximately $8.1 million, or 27.4% of the County's total debt service, was attributable to the costs of building the Medical Center. Approximately 42.7% of the Medical Center related debt service costs were payable from State reimbursements described below. There can be no assurance that the reimbursement rate will not decrease in future years.

Section 14085.5 of the California Welfare and Institutions Code ("Section 14085.5") was adopted by the State Legislature in 1988. Section 14085.5 permits hospitals which contract to provide Medi-Cal in-patient hospital services to receive reimbursement for a portion of the costs of qualified capital projects and directs the State to make supplemental reimbursement payment to those hospitals which meet the requirements set forth therein. The amount of reimbursement for a hospital during any fiscal year is computed through a formula which takes into account debt service for that year on the indebtedness issued to finance any such capital project and the percentage of hospital patient days attributed to Medi-Cal patients. The formula also provides that with respect to at least the State's 50% share of such reimbursements, the percentage of Medi-Cal patient days shall not be reduced below 90% of the initial ratio. The 50% federal share of such reimbursement currently does not contain any such specified floor percentage, and accordingly, may be reduced by a greater proportion should Medi-Cal patient days decline. The County does not presently expect a significant decline in its Medi-Cal patient ratio in the future.

Supplemental reimbursement received under Section 14085.5 is required to be placed by the County in a special account exclusively for debt service with respect to such indebtedness. As with all Medi-Cal payments, the supplemental reimbursements under Section 14085.5 are dependent on the continued existence of the Medi-Cal programs and appropriations for the program through the State budget process. In addition, since approximately 50% of Section 14085.5 funds are derived from federal Medicaid appropriations, discontinuance of such federal reimbursement is not within the control of the State. Eligible costs, moreover, are defined differently under the federal program and do not include the cost of some out-patient service facility costs. Accordingly, there can be no assurance that either the State or federal payments under the provisions of Section 14085.5 will continue.

[The Medical Center currently meets the disproportionate share status requirement of Section 14085.5. The statute requires that in order to be eligible to receive funds, a hospital must meet the criteria defining disproportionate share status for the three most recent years for which final data is available. The hospital must also maintain an in-patient service contract under the Selective Provider Contracting Program ("SPCP"). The County believes that the Medical Center has met the disproportionate share criteria through June 30, 2014, and continued disproportionate share eligibility is expected by the County. The Medical Center also maintains an SPCP contract.

Therefore, it currently meets the eligibility criteria. However, the Medical Center must continue to maintain disproportionate share status and its Medi-Cal contract in order to receive reimbursement.]

Charges for Current Services

A significant source of revenues is received from charges for current services provided by the County, accounting for approximately $322.1 million in the 2015-16 County Budget, or approximately 17% of the County's total revenues (all funds). This revenue source is a recoupment of costs for services such as health service fees (including net patient revenue for the Medical Center), recording fees, legal fees, and court and law enforcement fees.

Miscellaneous Other Revenue

General. Other significant sources of revenue, including the tobacco settlement payments discussed below, are included in the Miscellaneous Other Revenue category, which accounted for approximately $44 million in the 2015-16 County Budget, or approximately 2.4% of the County's total Governmental Funds requirements.

Tobacco Settlement Payments. On August 5, 1998, the State and participating California counties and cities entered into a Memorandum of Understanding which allocates a portion of tobacco settlement proceeds to the participating counties and cities. On December 9, 1998, the Master Settlement Agreement (the "MSA") between participating States and various tobacco companies received court approval. The Board has allocated most of these funds to the operations of the Medical Center. The County received approximately $6.6 million in fiscal year 2014-15. It is projected that the County's share of settlement payments for fiscal year 2015-16 will be approximately $6.8 million. The continued receipt of these settlement payments depends upon the ability of the tobacco companies to make continued payments under the MSA.

Major Expenditures

As noted in the financial statements included herein and as discussed above under "THE COUNTY OF SAN MATEO—County Services," the County's major expenditures each year are public health and public protection, accounting for approximately $736.1 million and $390.8 million, respectively, in the 2015-16 County Budget, or approximately 29.1% and 15.4%, respectively, of the County's total Governmental Funds requirements. The largest County expenditure is for non-discretionary public health, primarily consisting of State-mandated programs.

Retirement Program

Plan Description. The San Mateo County Employees' Retirement Association ("SamCERA"), operating under the County Employees Retirement Law of 1937 (the "CERL") and the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), is a cost-sharing multiple-employer defined benefit pension plan established to provide pension benefits for predominantly all full-time and permanent part-time employees of the County. The administration, investment and disbursement of the SamCERA's funds are under the exclusive control of the Retirement Board (the "Retirement Board"), which is composed of nine individuals, four appointed by the Board, four elected by SamCERA participants, and the County Treasurer.

County employees fall into one of the following three types of membership: General, Safety or Probation. As of June 30, 2015, the total number of County plan participants (active, retired and deferred) was 10,706.

Both employers and employees pay contributions, with the exception of Plan 3, which does not require member contributions. Plan 3 is contained in the CERL and was closed to new members in December 2012. Plan 3 currently has approximately 97 active members that are either 100% Plan 3 or "split plan" members, with service credit in both Plan 3 and one of the contributory plans.

In general, employee and employer contribution rates are adjusted annually. Although the plan covers other employers, the County is responsible for approximately 96.2% of SamCERA's annual required employer contribution. Most members pay a contribution rate based on their entry age, which is their age when they became a member of SamCERA (for reciprocal members, this may be their entry age in a reciprocal system). In addition to the basic member contribution, certain members pay a "cost share" based upon what plan they are in. The cost share is an additional flat percentage based upon the terms of the applicable bargaining unit memorandum of understanding or management resolution. Some members may also be required to pay a Cost of Living Adjustment (COLA) share, which is a payment to cover future projected cost of living adjustments. The requirement to pay a COLA cost share and the amount of the COLA share may vary based on bargaining group or date of hire.

The PEPRA plan member contribution is not based upon age of entry, but rather a flat contribution rate that is a certain percentage of pensionable compensation. The percentage differs depending on whether the member is a general member, safety member, or probation member. For further information regarding PEPRA, see "—California Public Employees' Pension Reform Act" below.

For fiscal year 2015-16, the average employer contribution rate by the County is [32.4]% of the covered payroll, equal to $_________. The County picks up a [75]% share of the employee's contributions for Sheriff Sergeants and a [20]% share for Probation employees[,a practice which is banned for future employees subject to PEPRA as described below]. Assuming the County's actuarial assumptions are realized (including an investment return of 7.25%) and after giving effect to additional excess contributions to be made by the County as described below under "County's Required Contributions" the County's contribution rate was approximately [37.15]% of payroll in fiscal year 2014-15, the final year to recognize losses from the 2008 financial crisis. Assuming actuarial assumptions are achieved, County contribution rates are projected to decline through the end of fiscal year 2022-23, at which point the County's actuary projects SamCERA will be fully funded. Thereafter, the County contribution rates are projected to fall dramatically, to 30% of payroll in fiscal year 2023-24 and to approximately 10% thereafter.

California Public Employees' Pension Reform Act. On September 12, 2012, the Governor signed Assembly Bills 340 and 197, which enacted the PEPRA and amended sections of the CERL. Among other things, PEPRA created a new benefit tier for public employees hired on or after January 1, 2013, who are defined as "new members." The PEPRA plans adopted were 2%@62 for the general member benefit formula and 2.7%@57 benefit formula for safety and probation members. PEPRA requires all new members have an initial contribution rate of at least 50% of the normal cost rate or the current contribution rate of similarly situated employees, whichever is greater. The normal contribution rate, as calculated by the retirement system's actuary covers the cost of a current year of service. PEPRA prohibits employers from paying any of PEPRA members' contribution on the employees' behalf, with certain exceptions. PEPRA also limits the types of compensation that can be used and caps the total amount of compensation that can be used to calculate a pension. The County believes that the provisions of PEPRA will help control its pension benefit liabilities in the future.

PEPRA's impact will not be as significant for SamCERA as for many other systems because the County had already adopted similar cost cutting steps prior to PEPRA's implementation: (i) reduced benefit formulas for new hires which meant a higher age to receive maximum pension; (ii) reduced the pick-up of the employee share of retirement costs, and required cost sharing for certain formulas since 2003; (iii) excluded certain pay items which can lead to spiking such as in-service leave cash outs; and (iv) since 1997 instituted a three-year final compensation period for new employees. Furthermore, most bargaining units are paying 50% of the cost to fund future COLA increases.

[GASB Statement No. 67 and GASB Statement No. 68. On June 25, 2012, GASB adopted final changes in pension accounting and financial reporting standards for state and local governments ("GASB Statement No. 67" and "GASB Statement No. 68"). These changes will impact the accounting treatment of pension plans in which state and local governments, like the County, participate. Major changes include: (i) the inclusion of net pension liabilities on the government's balance sheet (prior to the changes, such net liabilities were typically included as notes to the government's financial statements); (ii) full pension costs are required to be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates are required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; (iv) shorter amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements, which generally increase pension expenses; and (v) the difference between expected and actual investment returns will be recognized over a five-year smoothing. GASB Statement No. 67 was implemented by SamCERA with the issuance of SamCERA's financial statements for fiscal year 2014-15 and GASB Statement No. 68 will be implemented by the County with the issuance of the County's financial statements for fiscal year 2014-15.

The County will implement GASB 68 in conjunction with the preparation of its audited financial statements for fiscal year 2014-15. This will result in significant financial accounting and reporting changes to the County's financial statements. The most significant change stems from the requirement that the County record, in its Statement of Net Position, obligations related to defined benefit retirement plans offered to the County employees. [The County has elected to use fiscal year 2013-14 as a measurement date, which means that the Net Pension Liability ("NPL") that will be reported in the County's audited financial statements for fiscal year 2014-15 will be based on the fair value of assets as of June 30, 2014. As of June 30, 2015, the County will report an NPL of $_______ billion, of which $_____ million will be allocated to the General Fund. The total impact to the County's Statement of Net Position at the end of fiscal year 2014-15, resulting from the implementation of GASB 68, will be $_______ billion, of which $____ million will be allocated to the General Fund. The measurement of the County's NPL assumes a long-term expected rate of return of plan investments of 7.5% (the "Discount Rate"). A change in the assumed Discount Rate would have a significant effect on the measurement of the NPL. For example, a 1% decrease in the assumed Discount Rate to 6.5% would increase the County's fiscal year 2014-15 NPL by $_____ million, or ___%; and a 1% increase in the assumed Discount Rate to 8.5% would decrease the County's fiscal year 2014-15 NPL by $____ million, or ___%.

The new GASB pension standards are only applicable to the accounting and reporting for pension benefits in the County's financial statements. Accordingly, there will be no impact on the County's existing statutory obligations and policies to fund the pension benefits.]

Pension Benefits. There are five contributory plans for general members and six contributory plans for safety and probation members. The plans have different benefits factors, maximum annual cost of living adjustments, final average compensation periods, final average compensation calculations, eligibility requirements, and contribution rates. Plan membership is for the most part based on date of hire, but plan benefits can be affected by a redeposit, upgrade, or membership history with SamCERA or reciprocity. Employees become eligible for membership in the contributory benefit plans on their first day of regular employment and become fully vested after five years of service credit in the benefit plan. The respective benefit formulas are set forth in the following three tables.

Table 24
COUNTY OF SAN MATEO
PENSION PLAN MEMBERSHIP – GENERAL MEMBERS

Date of Hire	Benefit Factor
On or before 8/6/11	2% at age 55.5
8/7/11-12/31/12	2% at age 61.25
On or after 1/1/13 (PEPRA)	2% at age 62

Table 25
COUNTY OF SAN MATEO
PENSION PLAN MEMBERSHIP – SAFETY MEMBERS

Date of Hire	Benefit Factor
On or before 1/7/12	3% at age 50
1/8/12-12/31/12	3% at age 55
1/8/12-12/31/12	2% at age 50
On or after 1/1/13	2.7% at age 57

(PEPRA)

Table 26
COUNTY OF SAN MATEO
PENSION PLAN MEMBERSHIP – PROBATION MEMBERS

Date of Hire	Benefit Factor
On or before 7/9/11	3% at age 50
7/10/11-12/31/12	3% at age 55
7/10/11-12/31/12	2% at age 50
On or after 1/1/13 (PEPRA)	2.7% at age 57

Members under the CERL are eligible for a service retirement benefit when they meet one of the following minimum age and service credit requirements:

- At least age 50 with 5 years of service credit and 10 years of service.
- 30 years (General members) or 20 years (Safety and Probation members) of service credit, regardless of age.
- At least age 70, regardless of service credit.
- Part-time or seasonal employee at least age 55 with 5 years of service credit and 10 years of county employment.
- A "deferred member" who meets the eligibility for a deferred retirement.
- Plan 3 members must be at least age 55 with 10 years of service credit.

Members under the PEPRA plan are eligible for a service retirement benefit when they meet the following minimum age and service credit requirements:

- For General members, at least age 52 with 5 years of service credit.
- For Safety and Probation members, at least age 50 with 5 years of service credit.

Non-contributory vesting occurs after 10 years of service credit. Members may retire at a minimum age of 55. The non-contributory plan benefit uses significantly lower factors for each retirement age and payments are offset by payments from the Social Security Administration.

County's Required Contributions. In June of 2014, in consultation with its actuarial services consultant, Milliman, Inc., SamCERA lowered its investment earnings assumption from 7.50% to 7.25%, beginning with fiscal year 2015-16. SamCERA conducts an actuarial valuation every year.

For fiscal year 2014-15, SamCERA received the County's required contributions of $163.4 million. The County has historically prepaid its annual pension cost to SamCERA. The required contribution was determined by the actuarial valuation as of June 30, 2013, using the entry age normal actuarial cost method. The actuarial assumptions included a 3.25% annual inflation rate, a 7.5% annual investment rate of return, and a 3.75% wage increase assumption.

The total Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2008 was amortized over a 15-year period ending June 30, 2023. Future changes in the UAAL, including the change in UAAL as of June 30, 2015, will be amortized over new 15-year periods, which is commonly referred to as a 15-year layered amortization.

SamCERA smooths gains and losses over a five-year period with a 20% corridor. Gains and losses falling outside of the 20% corridor are fully recognized in the determination of the actuarial asset value. Actuarial assumptions are adjusted by the Retirement Board from time-to-time based on actual demographic changes and non-demographic factors such as economic conditions. The following table presents information for fiscal years 2008-09 through 2014-15, estimated information for fiscal years 2015-16 and 2016-17.

The annual pension funding projections are based upon County assumptions, including the realization of investment and experiential assumptions currently being utilized by SamCERA's actuaries. There can be no assurance that these assumptions will reflect the performance of the SamCERA, nor that any of the actuarial assumptions (such as the mortality rates of employees) will not be changed. Any deviation from these assumptions may result in materially greater liabilities to the County.

Table 27
PARTICIPATING EMPLOYERS
ACTUARIALLY DETERMINED CONTRIBUTIONS
Fiscal Years 2008-09 through 2016-17
($ in Thousands)

Fiscal Year	Annual Pension Cost	% of Annual Pension Cost Contributed
2008-09	$106,123	100.0%
2009-10	106,265	100.0
2010-11	150,475	100.0
2011-12	139,407	102.6
2012-13	131,294	103.0
2013-14	152,877	100.0
2014-15	169,814	100.0
2015-16(1)	[167,870]	[100.0]
2016-17(1)	[168,290]	[100.0]

(1) Figures are estimated.

Source: County.

Following the financial crisis in 2008, the Board, in collaboration with SamCERA, took the uncommon step of agreeing to make contributions to SamCERA in excess of the required actuarial contributions to enhance the solvency of SamCERA and accelerate the payment of the UAAL. The County made $24.5 million of additional contributions to SamCERA in fiscal years 2011-2012 and 2012-13. In August 2013, the County and SamCERA formalized the County's intention to continue this uncommon practice by entering into a Memorandum of Understanding (the "MOU"). Pursuant to the MOU, the County made additional contributions of $50 million in fiscal year 2013-14 and $10 million in fiscal year 2014-15 and intends to make $10 million in each of the next eight fiscal years. The total supplemental payments under the MOU would amount to $140 million in excess of the County's actuarially required contributions. The County contributed $50 million in fiscal year 2013-14 and $10 million in fiscal year 2014-15. In the MOU, the County has also committed to maintain its annual contribution rate at no less than the [38]% of payroll. The County reserves the right to reduce any future additional contribution to SamCERA and/or to terminate the MOU at any time.

Funded Status and Funding Progress. Funding progress is measured by a comparison of plan assets set aside to pay plan benefits versus plan liabilities. The actuarial value of assets is based on a five-year smoothed market method. This method spreads the difference between the actual investment return achieved by the investment portfolio of SamCERA and the assumed investment return over a five-year period.

The following table shows the funding progress of SamCERA based on the actuarial value of assets for the five most recent actuarial valuation dates. As of June 30, 2015, the most recent actuarial valuation date, the plan was 82.6% funded. The actuarial accrued liability ("AAL") for benefits was approximately $4.05 billion, and the actuarial value of assets was approximately $3.34 billion, resulting in a UAAL of approximately $702.24 million. The annual covered payroll (annual payroll of active employees covered by the plan) was approximately $454.68 million, and the UAAL as a percent of the annual covered payroll was 154.5%.

Table 28
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUE OF ASSETS
($ in Thousands)

Actuarial Valuation Date (As of June 30)	Actuarial Value of Assets (a)	AAL- Entry Age (b)	UAAL[1] (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
2009	$1,909,679	$2,987,712	$1,078,033	63.9%	$436,424	247.0%
2010	2,179,076	3,098,453	919,377	70.3	428,559	214.5
2011	2,405,140	3,246,727	841,587	74.1	424,061	198.5
2012	2,480,271	3,442,553	962,282	72.0	419,779	229.2
2013	2,618,639	3,572,750	954,111	73.3	406,921	234.5
2014	2,993,187	3,797,042	803,855	78.8	422,022	190.5
2015	3,343,550	4,045,786	702,236	82.6	454,683	154.5

(1) The County is responsible for approximately 96.2% of UAAL.

Sources: County CAFR, Fiscal Year Ended June 30, 2014; County; and SamCERA Actuarial Valuation as of June 30, 2015 and SamCERA CAFR as of Fiscal Year Ended June 30, 2015.

The actuarial value of assets is different from the fair value of assets, as gains and losses are smoothed over a number of years. The following table shows the funding progress of SamCERA based on the fair value of SamCERA's assets allocated to retirement benefits for the seven most recent actuarial valuation dates.

Table 29
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
FAIR VALUE OF ASSETS[1]
($ in Thousands)

Actuarial Valuation (As of June 30)	Fair Value of Assets	AAL	Underfunded Or (Overfunded) Liability[2]	Funded Ratio (Fair Value)[3]	Covered Payroll[4]	Unfunded Liability as a % Of Covered Payroll (Fair Value)[5]
2009	$1,591,400	$2,987,712	$1,396,312	53.3%	$436,424	319.9%
2010	1,815,896	3,098,453	1,282,557	58.6	428,559	299.3
2011	2,317,776	3,246,727	928,951	71.4	424,061	219.1
2012	2,360,304	3,442,553	1,082,249	68.6	419,779	257.8
2013	2,727,825	3,572,750	844,925	76.4	406,921	207.6
2014	3,291,694	3,797,042	505,348	86.7	422,022	119.7
2015	3,454,476	4,045,786	591,310	85.4	454,683	130.0

(1) Table includes funding for retirement benefits only. OPEB are not included.
(2) AAL minus market value of assets. Positive numbers represent a funded ratio less than 100%.
(3) Fair value of assets divided by AAL.
(4) Annual payroll for members of SamCERA.
(5) Unfunded liability divided by covered payroll.

Sources: SamCERA Actuarial Valuation as of June 30, 2015; County.

Assuming that the County makes contributions of no less than [38]% of payroll (as set forth in the MOU) and that actuarial assumptions (including a 7.25% investment return) are realized, the SamCERA's actuary have projected that SamCERA will be fully funded by the beginning of fiscal year 2022-23.

The County has not issued pension bonds and has no pension related bond indebtedness in addition to the ongoing annual pension costs.

The most recent actuarial valuation of SamCERA (as of June 30, 2015) was issued by Milliman, Inc. in September 2015.

2012-13 Grand Jury Report. On April 15, 2013, the Grand Jury released a report regarding SamCERA's unfunded liability (the "2012-13 Grand Jury Report"). The 2012-13 Grand Jury Report stated that although SamCERA's CAFR for the fiscal year ended June 30, 2012 showed a UAAL of approximately $962 million, the Grand Jury believed, "based upon current economic conditions and SamCERA's actual investment performance, as opposed to its investment assumptions, the unfunded liability is closer to $2 billion." Further, the 2012-13 Grand Jury Report states that although some of the estimated $60 million annual increase in County revenues resulting from the passage of the Measure A sales tax within the County could be used to pay down SamCERA's unfunded liability, as of the date of the 2012-13 Grand Jury Report, the Board of Supervisors had not committed to use Measure A funds to reduce SamCERA's unfunded liability.

The Grand Jury recommended in the 2012-13 Grand Jury Report to the Retirement Board and the Board that they acknowledge that SamCERA's reported UAAL is materially understated. The Grand Jury further recommended to the Retirement Board that it set a more realistic assumed rate of return; improve the reporting of its financial results and employ only money managers for the alternative investment portion of the investment portfolio ranking in the top 10% of their peers; and to the Board of Supervisors that it implement GASB Statement No. 68 for fiscal year 2014-15; assure the financial qualifications of its Retirement Board appointees; formally review SamCERA's financial performance on a regular basis; give priority to the funding of SamCERA's unfunded liability over other new or expanded programs; adopt a minimum funded ratio for SamCERA and implement meaningful pension reform.

On May 28, 2013, the Retirement Board approved its responses (the "SamCERA Responses") to the 2012-13 Grand Jury Report's findings and recommendations pertaining to matters under the control of the Retirement Board. In the SamCERA Responses, the Retirement Board disagreed with most of the findings in the 2012-13 Grand Jury Report, responding, that, among other things, the County and SamCERA have "worked collaboratively and aggressively to manage retirement costs in the wake of the recession," and "… the County has exceeded funding requirements and continues its … commitment to meet or exceed its actuarial and legal commitments to the plan." The SamCERA Responses further state that none of the recommendations set forth in the 2012-13 Grand Jury Report will be implemented, as they are neither warranted nor reasonable. The SamCERA responses were submitted to the Grand Jury on July 3, 2013.

On July 9, 2013, the Board approved its responses (the "County Responses") to the 2012-13 Grand Jury Report's findings and recommendations pertaining to matters under the control of the County. In the County Responses, the Board disagreed with most of the findings in the 2012-13 Grand Jury Report, responding like the Retirement Board, that among other things, the County has "exceeded funding requirements and met or exceeded its actuarial and legal commitments to the retirement plan." The County Responses further stated that the recommendation set forth in the 2012-13 Grand Jury Report to implement GASB Statement No. 68 would be implemented for fiscal year 2014-15, but that the remainder of the recommendations pertaining to matters under County control either have already been implemented or will not be implemented, as they are either unwarranted or unreasonable. See "GASB Statement No. 67 and GASB Statement No. 68" above.

The County believes that it has one of the most conservative retirement funding structures in the State, with a 7.25% earnings rate assumption, losses outside a 20% corridor are recognized immediately, losses within the corridor are smoothed over five years, the UAAL as of June 30 2008 is being amortized over a 15-year period ending June 30, 2023and future changes in UAAL are amortized over 15 year periods. In fiscal year 2011-12, the County implemented lower retirement tiers for new employees and the lower PEPRA tiers and contribution rates were implemented effective January 1, 2014. See "California Public Employees' Pension Reform Act" above. In addition, as of June 30, 2015, the County's retirement plan was [___]% funded without the assistance of pension obligation bonds (based on the actuarial value of assets). See "Funded Status and Funding Progress" above.

Investments. SamCERA's investments are managed by independent investment management firms subject to the guidelines and controls specified in its investment policy and contracts approved by the Retirement Board and executed by the Chief Executive Officer of SamCERA. The Retirement Board utilizes third-party institutions as custodians over the plan's assets.

The following table compares SamCERA's target allocations, and the actual allocations as of June 30, 2015.

Table 30
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ASSET ALLOCATION AS A PERCENTAGE OF FAIR VALUE

Asset Class	Target Allocation	June 30, 2015 – Actual
Equity	50.0%	52.7%
Bonds	20.0%	19.3%
Alternatives	16.0%	12.2%
Risk Parity	8.0%	7.7%
Real Estate	6.0%	6.4%
Cash	0.0%	1.7%

Source: County.

The following table summarizes the composition and fair value of SamCERA's assets as of June 30, 2015.

Table 31
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MARKET VALUE OF ASSET ALLOCATION
As of June 30, 2015

Asset Allocation	Market Value
Large Capitalized U.S. Equities	$910,347,700
Small Capitalized U.S. Equities	211,917,018
International Equities	675,589,939
U.S. Bonds	567,116,706
Global Bonds	98,285,376
Alternative Investments	426,414,445
Risk Parity	265,103,721
Real Estate	218,473,360
Cash & Deposits	81,228,063
Total	$3,454,476,328

Source: County, SamCERA 2015 CAFR.

Returns. For the past five and ten years ending June 30, 2015, the total plan return has averaged [4.3]% and [6.4]% per annum, respectively. For the three fiscal years ended June 30, 2015, total plan return was [3.36%, 17.18% and 13.6]%, respectively. SamCERA's assumed rate of return is 7.25% for actuarial purposes.

Additional Information. For additional information concerning SamCERA, see Note [__] to the County's audited financial statements included as APPENDIX C hereto and SamCERA's website at www.samcera.org. Such website is not incorporated herein by reference.

Post-Employment Benefits Other Than Pensions

Plan Description. The County administers a single-employer defined benefit post-employment healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides healthcare benefits to members who retire from the County and are eligible to receive a pension from SamCERA. Eligible retirees may elect to continue healthcare coverage in the Retiree Health Plan and convert their sick leave balance at retirement to a County-paid monthly benefit that will partially cover their retiree health premiums. The duration and amount of the County paid benefits depend on the amount of sick leave at retirement, the date of hire, the date of retirement and the bargaining unit to which the retiree belonged. After the County paid benefits expire, the retirees may continue coverage in the Retiree Health Plan at their own expense.

The County prefunds its OPEB obligations through the California Employers' Retiree Benefits Trust ("CERBT"), an irrevocable trust fund established on March 1, 2007 that allows public employers to prefund the future costs of their retiree health insurance benefits and OPEB for their covered employees or retirees. In May 2008, the County elected to participate in CERBT and deposited $145.4 million with CalPERS, the CERBT's administrator, to prefund its OPEB obligations. The prefunding was intended to reduce and stabilize the County's annual required contribution to the Retiree Health Plan in future years at an expected level for budgeting purposes.

The current funding policy of the County is to contribute the annual required contribution each year. Contribution requirements or amendments for Retiree Health Plan members and the County are established through negotiations with individual bargaining units. For fiscal year 2014-15, the County contributed approximately $23.893 million, or 100%, of the actuarially required contributions, to the Retiree Health Plan. The following table sets forth the County's retiree health costs for fiscal years 2010-11 through 2014-15.

Table 32
COUNTY OF SAN MATEO
COUNTY RETIREE HEALTH COSTS
Fiscal Years 2010-11 through 2014-15

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
General Fund	$ 10,790,296	$ 11,713,084	$ 14,732,136	$
Other Funds	3,281,704	3,297,916	3,903,864	
Total Annual Required Contribution	$ 14,072,000	$ 15,011,000	$ 18,636,000	$ 17,527,000

Source: County.

Retiree health care costs are difficult to estimate due to uncertainty of future health care costs. These uncertainties result not only from general medical care inflation, but also due to the integration with Medicare for retirees over age 65. Accordingly, there can be no assurance that the County's OPEB contributions will not increase materially in future years.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is equal to (i) the annual required contribution (the "ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, plus (ii) one year's interest on the beginning balance of the net OPEB obligation, and minus (iii) an adjustment to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years.

In calculating the County's ARC, the County's policy is to amortize its UAAL over 30 years, commencing July 1, 2005. As a result of the $145.4 million contribution made in May 2008, the County currently has a net OPEB asset. If the County does not set aside funds equal to the ARC (less current year benefit payments made directly by the County) each year, then the ARC (less benefit payments) will offset the net OPEB asset that has accumulated on the County's statement of net position. Similarly, if the County sets aside funds greater than the ARC each year, it will increase the net OPEB asset on the County's statement of net position.

The County contributes to its Retiree Health Plan based upon a combined actuarial assessment, including current employees. This results in the County paying a higher rate for current employees and a lower rate for retirees than it would pay if it purchased coverage separately. This is referred to, under GASB, as an "implicit subsidy," and represents 45% of the AAL ($175,076,000 out of $385,077,000).

The following table presents information for fiscal years 2008-09 through 2014 15, estimated information for fiscal years 2015 16 and 2016 17.

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The annual OPEB funding projections are based upon County assumptions, including the realization of investment and experiential assumptions currently being utilized by the County's actuaries. There can be no assurance that these assumptions will reflect the performance of the County, nor that any of the actuarial assumptions (such as the mortality rates of employees) will not be changed. Any deviation from these assumptions may result in materially greater liabilities to the County.

Table 33
PARTICIPATING EMPLOYERS
ACTUARIALLY REQUIRED CONTRIBUTIONS
Fiscal Years 2008-09 through 2016-17
($ in Thousands)

Fiscal Year	Annual OPEB Cost	% of Annual OPEB Cost Contributed
2008-09	$	%
2009-10		
2010-11		
2011 12		
2012 13		
2013 14		
2014 15		
2015 16(1)		
2016-17(1)		

(1) Figures are estimated.

Source: County

Among other actuarial assumptions used in calculating the County's ARC in its most recent actuarial report, the County assumes an investment (or discounted valuation interest rate) 6.73%, price inflation of 2.75%, and health care cost increases ranging from 6.9% (in fiscal year 2015-16) to 4.6% (in fiscal year 2070+). The health care cost increases incorporate the assumed imposition of an excise tax on high cost health care coverage, or "Cadillac" health plans, under the ACA. Approximately $175.1 million or 45% of the AAL is attributable to the "implicit subsidy" described in "—Annual OPEB Cost and Net OPEB Obligation" above. In addition, approximately 12.7% of the OPEB AAL reflects the cost of the excise tax under the ACA for "Cadillac" health plans.

Funded Status and Funding Progress. The following table presents historical information about the funding status of the County's OPEB plan with the CERBT for the four most recent valuation dates. As of June 30, 2014, the most recent actuarial valuation date, the County's OPEB plan was 61.0% funded.

Table 34
COUNTY OF SAN MATEO
OTHER POST-EMPLOYMENT BENEFITS
ACTUARIAL VALUE OF ASSETS
($ in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	AAL-Entry Age (b)	UAAL (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
1/01/2009[1]	$101,362	$207,742	$106,380	48.8%	$479,981	22.2%
1/01/2011	153,171	243,149	89,978	63.0	451,307	19.9
6/30/2011[2]	167,852	267,927	100,075	62.6	465,111	21.5
6/30/2013	192,789	319,359	126,570	60.4	452,750	28.0
6/30/2015	234,779	385,077[3]	150,298	61.0		

(1) Based on the revised valuation on June 17, 2010, which covers Medicare Part B premium reimbursements for management employees.
(2) Effective fiscal year 2010-11, the valuation date of the County's OPEB plan changed from January 1 to June 30.
(3) Approximately $175.1 million or 45% of the AAL is attributable to the "implicit subsidy" described in "—Annual OPEB Cost and Net OPEB Obligation" above.

Source: County; County CAFR, Fiscal Year Ended June 30, 2012 and Fiscal Year Ended June 30, 2013; and County GASB 45 Actuarial Valuation of Post Employment Benefits Other than Pensions as of June 30, 2013 and June 3, 2015.

CalPERS, the administrator of the CERBT, issues a publicly available financial report consisting of financial statements and required supplementary information for CERBT in aggregate. The report may be obtained by writing to CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811, but is not incorporated herein by such reference.

The most recent actuarial valuation of OPEB Benefits for the County (as of June 30, 2015) was prepared by Milliman, Inc. in September 2015. See APPENDIX G – "OPEB ACTUARIAL VALUATION FOR FISCAL YEAR 2014-15."

For further information on the Retiree Health Plan and the County's OPEB obligations, see note 14 to the County's audited financial statements included as APPENDIX C hereto.

Self-Insurance Programs

The County has established self-insurance programs for workers' compensation, unemployment, personal injury, property damage, dental, vision, long-term disability and automobile liability insurance. All County departments participate in the self-insurance program and make payments to the insurance funds and internal service funds. The insurance funds are responsible for collecting fees from other County funds, administering and paying claims and arranging the excess insurance coverage.

The County carries excess property insurance coverage subject to a $100,000 deductible, as follows: up to a maximum replacement value of $500 million after the first $100,000 claimed per incident; earthquake and flood damage up to a maximum of $50 million per occurrence and in the aggregate subject to a deductible equal to 5% of the replacement value per location or $250,000, whichever is greater; general liability and auto liability insurance up to $55 million per event after the first $1,000,000 claimed per incident; workers' compensation claims up to the maximum statutory limits after the first $1,000,000 claimed per incident; and medical malpractice insurance up to $50 million after the first $500,000 claimed per incident.

The activities related to such self-insurance programs are accounted for in trust funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, [2015] are reported in these funds. County officials believe that assets of the trust funds, together with funds to be provided in the future, will be adequate to meet all self-insured claims for property, general liability, unemployment, disability income, medical malpractice and workers' compensation claims as they come due. In case of a catastrophic event, however, no assurance can be given that such assets and funds will be adequate to meet all self-insured claims that will become payable by the County. Revenues of the trust funds are primarily provided by contributions from other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses.

County Debt Limit

In 1997, the Board adopted an ordinance (the "Debt Limit Ordinance"), which provides that annually at the time of approving the County budget, the Board will establish the County debt limit for such fiscal year. The Debt Limit Ordinance has expired, but the County continues to abide by the Debt Limit Ordinance as a matter of policy. Pursuant to the Debt Limit Ordinance, the debt limit is applicable to non-voter approved debt that is the obligation of the County, including lease revenue obligations such as the Bonds. It does not include any voter approved debt or any debts of agencies, whether governed by the Board or not, other than the County. It also excludes any debt which is budgeted to be totally repaid from the current fiscal year budget. The Debt Limit Ordinance provides that the annual debt limit shall not exceed the amount of debt which can be serviced by an amount not to exceed 4% of the average annual County budget for the current and the preceding four fiscal years. The annual debt limit once established may be exceeded only by a four-fifths (4/5) vote of the Board and upon a finding that such action is necessary and in the best interests of the County and its citizens. Pursuant to the Debt Limit Ordinance, the County's annual debt service limit for fiscal year 2015-16 is $[___] million and the amount of debt service subject to the debt limit is approximately $[____] million.

Indebtedness

Long-Term Obligations.

General Obligation Bonds. The County has no outstanding general obligation bonds.

Authority Lease Revenue Bonds. The County has issued all of its lease revenue obligations through bond issuances of the Authority (collectively referred to herein as the "Authority Lease Revenue Bonds"). Authority Lease Revenue Bonds include the following amounts, outstanding as of [______, 2016].

		Outstanding Principal Amount
Authority Lease Revenue Bonds Series of 1993 (North County Satellite Clinic Project)(1) (the "1993 Bonds"), fixed rate, bearing (or accruing) interest at an average rate of 5.93%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2026	$	[6,850,538]
Authority Lease Revenue Bonds (Capital Projects Program) 1993 Refunding Series A(2) (the "1993A Bonds"), fixed rate, bearing (or accruing) interest at an average rate of 5.62%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2021		[34,730,000]
Authority Refunding Lease Revenue Bonds (Youth Services Campus), 2008 Series A(2) (the "Refunded Bonds"), fixed rate, bearing or accruing interest at an average rate of 5.30%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2036		[127,200,000]*
Authority Lease Revenue Bonds (Capital Projects), 2009 Series A(1) (the "2009 Bonds"), fixed rate, bearing or accruing interest at an average rate of 4.91%, payable semiannually (at maturity or earlier redemption) with annual requirements due through 2026		[94,625,000]
Authority Lease Revenue Bonds (Refunding and Capital Projects) 2013 Series A(2) (the "2013 Bonds"), fixed rate, bearing interest at an average rate of 4.99%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2032		[40,065,000]
Authority Lease Revenue Bonds (Capital Projects) 2014 Series A(2), fixed rate, bearing interest at an average rate of 4.58%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2037		[_________]
Total	[$	_________]

(1) Issued in connection with the North County Satellite Clinic.
(2) Issued in connection with the Medical Center.
* To be refunded with the proceeds of the Bonds.
Source: County.

The County paid approximately $[____] million in debt service in fiscal year 2014-15 with respect to the Authority Lease Revenue Bonds, and will pay approximately $[____] million and $[____] million in debt service due in fiscal year 2015-16, with respect to such obligations.

The following table sets forth the estimated annual debt service on each series of the Authority Lease Revenue Bonds currently outstanding.

Table 35
COUNTY OF SAN MATEO
AUTHORITY LEASE REVENUE BONDS
ANNUAL DEBT SERVICE REQUIREMENTS

Period Ending (June 30)	1993 Bonds	1993A Bonds	2008 Bonds*	2009 Bonds	2013 Bonds	2014 Bonds	2016 Bonds	[Total]
2015	–	$5,353,338	$9,296,319	$10,630,225	$2,941,063	$	$	$28,220,944
2016	–	5,343,200	9,297,569	10,643,550	3,073,063			28,357,381
2017	–	5,337,788	9,293,969	10,684,675	3,070,963			28,387,394
2018	$925,000	5,355,206	9,294,969	9,844,175	3,065,713			28,485,063
2019	955,000	5,352,781	9,295,269	9,863,200	3,071,463			28,537,713
2020	995,000	5,323,500	9,294,969	9,883,700	3,068,838			28,566,006
2021	1,035,000	5,344,250	9,296,969	9,902,425	2,185,463			27,764,106
2022	1,075,000	5,335,125	9,298,719	9,920,113	2,187,213			27,816,169
2023	1,115,000	–	9,294,844	9,937,581	2,187,463			22,534,888
2024	1,160,000	–	9,294,844	9,577,319	2,191,088			22,223,250
2025	1,205,000	–	9,297,969	9,418,394	2,183,213			22,104,575
2026	1,255,000	–	9,298,603	9,649,400	2,183,838			22,386,841
2027	1,305,000	–	9,294,781	8,276,706	2,182,713			21,059,200
2028	–	–	9,295,125	–	11,473,313			20,768,438
2029	–	–	9,294,588	–	5,673,263			14,967,850
2030	–	–	9,295,500	–	5,546,419			14,841,919
2031	–	–	9,297,750	–	3,103,906			12,401,656
2032	–	–	9,298,125	–	3,121,081			12,419,206
2033	–	–	9,295,875	–	2,236,538			11,532,413
2034	–	–	9,295,125	–	–			9,295,125
2035	–	–	9,294,875	–	–			9,294,875
2036	–	–	9,294,125	–	–			9,294,125
2037	–	–	9,296,750	–	–			9,296,750

* To be refunded with the proceeds of the Bonds.

Anticipated Financings. The County may finance the replacement of the Cordilleras Mental Health Facility, a 117-bed psychiatric facility in Redwood City. In August 2013, the Board approved $250,000 in Measure A funds to develop a financing plan for a replacement facility. The Department of Public Works and its consultant in conjunction with the Health System staff have confirmed programming requirements and have completed the bridging documents. Based on these documents, the current budget estimate is $105.4 million. The CEQA Notice of Preparation was issued on July 1, 2015. Staff is currently working with the Water Board District to confirm that the site design meets project interest. The Design Build Entity RFQ/P process will begin once CEQA has been completed in May 2016, depending on if proposed creek mitigation plans are in alignment with the Water Board's goals, and the programming requirements are in line with the project budget. Staff is preparing an application to use the SFPUC site located on Edmonds Road across from the Redwood Center for construction staging.

The County is currently engaged in a planning process that will identify capital facility needs over the next five years. The County is likely to issue additional lease revenue bonds to fund any identified facility needs.

Estimated Direct and Overlapping Debt*.* The table that follows is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated as of November 1, 2015. The Debt Report is included for general information purposes only. None of the County, the Authority or the Underwriters has reviewed the Debt Report for completeness or accuracy and none of the County, the Authority or the Underwriters make any representations in connection therewith. Inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc., Oakland, California.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the County in whole or in part. Such long-term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (i) the first column indicates the public agencies that have outstanding debt as of the date of the Debt Report and whose territory overlaps the County; (ii) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the County; and (iii) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is shown in the table) to property in the County, as determined by multiplying the total outstanding debt of each agency by the percentage of the County's assessed valuation represented in column 2.

Table 36
COUNTY OF SAN MATEO
DIRECT AND OVERLAPPING DEBT
As of November 1, 2015
($ in Thousands)

Assessed Valuation (including unitary utility valuation): $180,079,509
Redevelopment Incremental Assessed Valuation[1]: $15,120,930

DIRECT AND OVERLAPPING GENERAL FUND DEBT: Debt	Debt Outstanding	Estimated Percentage Applicable[2]	Estimated Share of Overlapping
Direct General Fund Obligation Debt:			
San Mateo County General Fund Obligations	$445,555	100.000%	$445,555
San Mateo County Flood Control District Certificates of Participation	18,725	100.000	18,725
	$464,280		$464,280
OVERLAPPING GENERAL FUND DEBT:			
Cities			
City of Brisbane General Fund and Pension Obligation Bonds	$ 10,786	100.000%	$ 10,786
City of Burlingame General Fund and Pension Obligation Bonds	34,145	100.000	34,145
City of Daly City Pension Obligation Bonds	26,755	100.000	26,755
City of Pacifica General Fund and Pension Obligation Bonds	31,085	100.000	31,085
City of San Mateo General Fund Obligations	34,235	100.000	34,235
Other City General Fund and Pension Obligation Bonds	43,252	100.000	43,252
Special Districts			
Midpeninsula Regional Open Space Park General Fund Obligations	123,511	30.396	37,542
Granada Sanitary District Certificates of Participation	95	100.000	95
Menlo Park Fire Protection District Certificates of Participation	11,015	100.000	11,015
School District			
San Mateo County Board of Education Certificates of Participation	10,430	100.000	10,430
South San Francisco Unified School District Certificates of Participation	578	100.000	578
Portola Vallley School District Certificates of Participation	2,231	100.000	2,231
San Bruno Park School District General Fund Obligations	4,110	100.000	4,110
TOTAL OVERLAPPING GENERAL FUND DEBT	$332,228		$246,259

(continued)

OVERLAPPING TAX AND ASSESSMENT DEBT:			
Cities	$ 55,780	100.000%	$ 55,780
Special Districts			
Midpeninsula Open Space Park District	45,000	30.396	13,678
Montara Sanitary District	11,390	100.000	11,390
Community Facilities District	108,425	100.000	108,425
1915 Act Bonds	12,452	100.000	12,452
School Districts			
San Mateo Community College District	644,384	100.000	644,384
Cabrillo Unified School District	43,351	100.000	43,351
La Honda-Pescadero Unified School District	5,833	100.000	5,833
South San Francisco Unified School District	180,108	100.000	180,108
Jefferson Union High School District	147,048	100.000	147,048
San Mateo Union High School District	544,824	100.000	544,824
Sequoia Union High School District	415,770	100.000	415,770
Belmont-Redwood Shores School and School Facilities Improvement Districts	125,167	100.000	125,167
Burlingame School District	104,872	100.000	104,872
Hillsborough School District	53,800	100.000	53,800
Jefferson School District	72,650	100.000	72,650
Menlo Park City School District	106,347	100.000	106,347
Millbrae School District	56,810	100.000	56,810
Redwood City School District	31,768	100.000	31,768
San Carlos School District	85,801	100.000	85,801
San Mateo-Foster City School District	227,001	100.000	227,001
Other School Districts	124,614	100.000	124,614
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$3,203,195		$3,171,873
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	$280,161	100.000	$280,161
TOTAL OVERLAPPING DEBT	**$3,815,584**		**$3,698,293**
TOTAL DIRECT AND OVERLAPPING DEBT[3]	**$4,279,864**		**$4,162,573**

Ratio of Total Direct and Overlapping Debt to Assessed Valuation:	2.31%
Ratio of Total Overlapping Tax Increment Debt to Redevelopment Incremental Valuation:	1.85%

(1) Redevelopment incremental valuation refers to the difference between base year assessed value and current year assessed value of properties in areas designated for redevelopment. Base year assessed value is the agreed upon value of a property at the time the redevelopment agency was established.
(2) Percentage of overlapping agency's assessed valuation located within the boundaries of the county.
(3) Excludes enterprise revenue, mortgage revenue, tax and revenue anticipation notes, and non-bonded capital lease obligations.
Source: California Municipal Statistics.

Financial Statements

The general purpose financial statements of the County for the fiscal year ended June 30, 2015, pertinent sections of which are included in Appendix C to this Official Statement, were audited by Macias, Gini & O'Connell LLP, independent accountants (the "Auditor"), as stated in their report appearing in Appendix C. The County has not requested, nor has the Auditor given, the Auditor's consent to the inclusion in Appendix C of its report on such financial statements. The Auditor's review in connection with the audited financial statements included in Appendix C included events only as of June 30, 2015 and no review or investigation with respect to the subsequent events has been undertaken in connection with such financial statements by the Auditor. The County has certified that it is not aware of any events occurring since June 30, 2015 that would cause the financial information in Appendix C hereof to be incorrect or misleading in any material respect.

Except as noted below, the County's accounting policies and audited financial statements conform to generally accepted accounting principles and standards for public financial reporting established by the GASB. The County's basis of accounting for its governmental type funds is the modified accrual basis with revenues being recorded when available and measurable and expenditures being recorded when services or goods are received and with all unpaid liabilities being accrued at year-end. All of the financial statements for governmental fund types contained in this Official Statement have been prepared on this modified accrual basis and all financial statements for proprietary funds contained in the Official Statement have been prepared on an accrual basis.

Funds accounted for by the County are categorized as follows:

Governmental Funds	**Proprietary Funds**	**Fiduciary Funds**
General Fund	Enterprise Funds	Trust and Agency Funds
Special Revenue Funds	Internal Service Funds	
Debt Service Fund		
Capital Project Funds		

The following table presents, with respect to the County's General Fund, the County's statement of revenue and expenses for fiscal years 2010-11 through 2014-15.

Table 37
COUNTY OF SAN MATEO
COMBINED STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2010-11 through 2014-15
($ in Thousands)

	2010-11[2]	2011-12	2012-13	2013-14	2014-15
REVENUES					
Taxes	$ 375,088	$ 367,234	$ 440,808	$ 537,162	
Licenses and Permits	5,415	5,891	6,250	6,826	
Aid From Governmental Agencies	376,708	433,201	457,867	430,615	
Charges for Services	91,380	98,155	94,266	118,857	
Fines, Forfeitures and Penalties	12,232	10,532	9,958	9,194	
Rents and Concessions	1,859	1,510	1,613	3,443	
Investment Income	6,602	8,157	3,401	8,526	
Securities Lending Activities:					
Securities Lending Income	21	–	–	–	
Securities Lending Expenditures	(17)	–	–	–	
Other	24,690	23,489	26,850	28,829	
TOTAL REVENUES	$ 893,978	$ 948,169	$1,041,013	$1,143,452	
EXPENDITURES					
Current:					
General Government	$ 59,005	$ 59,660	$ 69,279	$ 97,478	
Public Protection	314,501	326,717	320,517	333,532	
Health and Sanitation	197,778	203,066	205,650	226,935	
Public Assistance	195,904	187,570	184,840	204,991	
Recreation	9,110	8,222	8,005	9,633	
Capital Outlay	7,503	7,336	6,815	13,472	
Debt Service:					
Principal Retirement	–	–	–	–	
Interest	–	3	3	20	
TOTAL EXPENDITURES	$ 783,801	$ 792,574	$ 795,109	$ 886,061	
EXCESS OF REVENUES OVER EXPENDITURES	$ 110,177	$ 155,595	$ 245,904	$ 257,391	
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	$ 288	$ 268	$ 814	$1,416	
Operating Transfers Out[1]	(150,121)	(92,671)	(118,081)	(185,619)	
Proceeds From Sale of Capital Assets	5	2	3	3	
Total Other Financing Sources (Uses)	$ (149,828)	$ (92,401)	$ (118,081)	$ (184,200)	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$ (39,651)	$ 63,194	$ 127,823	$ 73,191	
Special items:					
Proceeds from sale of Circle Star Plaza					
Project cost reimbursement from/to JPFA					
Additional pension contribution to SamCERA					
Net change in fund balances					
Fund Balance, Beginning of Year	$ 285,606	$ 245,955	$ 309,149	$ 436,972	
Fund Balance, End of Year	$ 245,955	$ 309,149	$ 436,972	$ 575,998	

(1) Operating transfers from the General Fund consist primarily of the subsidy to the County Medical Center's Enterprise Fund. Transfers from the General Fund are also made to other County funds, including payments made for the General Fund portion of capital projects, debt service and in-home supportive services.

In fiscal year 2008-09, the County's investment earnings declined $20.3 million primarily due to the onset of the Great Recession and the Lehman bankruptcy, discussed below under the heading "—County Treasurer's Investment Pool—Lehman Bankruptcy."
(2) [In fiscal year 2010-11, the County made one-time capital purchases totaling $56.7 million for the Circle Star Plaza and the 2014 Project Site.]

Source: County General Purpose Financial Statements.

The following table presents, with respect to the County General Fund, the County's general balance sheet as of June 30 for each of the past five fiscal years ended June 30, 2011 through June 30, 2015.

Table 38
COUNTY OF SAN MATEO
GENERAL FUND
COMBINED BALANCE SHEET
At June 30, 2011, 2012, 2013, 2014 and 2015
($ in Thousands)

	At June 30,				
	2011	**2012**	**2013**	**2014**	**2015**
ASSETS:					
Cash and Investments	$ 295,692	$ 362,404	$ 456,081	$ 600,276	
Securities Lending Collateral	–	–	–	-	
Receivables					
Taxes, net of allowances for uncollectible amounts	13,423	14,488	15,070	15,494	
Accounts, net of allowances for uncollectible amounts	7,474	7,716	19,796	17,331	
Mortgages	63,657	67,555	68,836	73,212	
Interest	12,306	12,405	13,388	14,039	
Other	21,442	23,113	25,814	23,248	
Due from Other Governmental Agencies	178,369	163,725	183,861	183,791	
Due from Other Funds	717	2,640	6,536	7,139	
Advances to Other Funds	7,731	5,345	4,138	10,119	
Inventories	89	61	84	116	
Other Assets	186	357	2,676	195	
TOTAL ASSETS	$ 601,086	$ 659,809	$ 796,280	$ 944,960	
LIABILITIES:					
Accounts Payable	$ 24,016	$ 28,405	$ 32,069	$ 36,835	
Accrued Salaries and Benefits	27,437	10,132	10,466	13,154	
Accrued Liabilities	–	14,492	120	400	
Securities Lending Collateral – Due to Borrowers	–	–	–	-	
Due to Other Funds	385	551	3,868	407	
Due to Other Governmental Agencies	21,214	23,990	25,034	26,839	
	–	–	49,575	50,650	
Deferred Revenues	282,079	273,090	238,176	240,677	
Total Liabilities	$ 355,131	$ 350,660	$ 359,308	$ 368,962	
Reserved for:					
Encumbrances	$ 12,099	$ 27,124	$ 24,379	$ 20,912	
Advances to other funds and inventories	35,653	46,149	4,138	10,119	
Committed	1,572	–	60,119	160,447	
Unreserved:					
Designated	1,763	4,590	6,190	4,410	
Undesignated	194,868	231,286	342,146	380,110	
TOTAL LIABILITIES	$ 601,086	$ 659,809	$ 796,280	$ 575,998	

Source: County Controller.

See also APPENDIX C – "AUDITED COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR 2014-2015."

County Treasurer's Investment Pool

General. The County sponsors an investment pool (the "County Pool") to invest funds of the County and various external public entities allowed or as required by statute. The County Treasurer manages, in accordance with California Government Code Section 53600 et seq., funds deposited in the County Treasury by the County, all County school districts, various special districts, and some cities within the County. Moneys of the County, school districts and certain special districts are held in the County Treasury by the County Treasurer. The County Treasurer accepts funds primarily from agencies located within the County. As of [September 30, 2015], there were [1147] participant accounts in the County Pool, the largest single agencies being the school districts and the community college district (representing [32.6]% of the County Pool) and the County (representing [42.8]% of the County Pool). The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and federal funding and other fees and charges. The following table sets forth the investments in the County Pool held for local agencies as of [September 30, 2015].

Table 39
SAN MATEO COUNTY
INVESTMENT POOL PARTICIPANTS
As of [September 30, 2015]

Participant Category	Invested Funds	% of Total
School Districts	$1,010,771,812.27	25.7%
SMC Community College	270,822,371.21	6.9
Cities	361,833,300.16	9.2
Special Districts	123,758,911.40	3.1
Bay Area Air Quality Management District	176,779,836.89	4.5
San Mateo County Transportation Authority/JPB	310,108,993.71	7.9
All Other San Mateo County Funds	1,686,259,154.90	42.8
Total	3,940,334,380.54	100.0%

Source: County.

The following table sets forth the composition, carrying amount, and market value of the County Pool as of [September 30, 2015].

Table 40
SAN MATEO COUNTY
INVESTMENT POOL
SUMMARY OF ASSETS HELD
As of [September 30, 2015]

Security	Carrying Value(1)	Market Value(2)	% of Total
Repurchase Agreements	$443,750,000.00	$443,750,000.00	11.3%
Commercial Paper	83,265,833.16	83,278,438.50	2.1
Certificate of Deposit	50,000,000.00	50,041,937.50	1.3
LAIF	50,000,000.00	50,035,291.67	1.3
Corporate Floating Rate Notes	410,965,000.00	411,252,676.60	10.5
Corporate Bonds	558,295,981.25	561,589,332.64	14.3
Federal Agency Securities	1,670,940,440.89	1,676,682,376.48	42.7
United States Treasury Floating Rate Notes	19,995,958.00	20,003,041.30	0.5
United States Treasury Notes	623,764,181.39	628,614,429.85	16.0
Total(3)	$3,910,977,394.69	$3,925,247,524.54	100.00%

(1) The "carrying value" of the pool securities represents the cost of such securities to the County.
(2) The "market value" of the pool securities is composed of the market value of such securities plus accrued interest.
(2) Totals do not include uninvested cash held for payroll and operating expenditures.

Source: County.

The composition and value of investments under management in the County Pool will vary from time to time depending on cash flow needs of the County and public agencies invested in the County Pool, maturity or sale of investments and purchase of new securities, and due to fluctuations in interest rates generally.

As reflected in the table above, as of [September 30, 2015], the carrying value and market value of investments credited to the County Pool were both approximately [$3.9] billion and included approximately [$627] million in cash or cash equivalents, which represents the County Pool's liquidity. As of September 30, 2015, the dollar weighted average maturity of the County Pool was 1.62 years with a duration of 1.58 years and approximately 24.7% of the assets of the County Pool come from public agencies which can make discretionary withdrawals for the purposes of making alternative investments. The County Treasurer believes the liquidity in the portfolio is adequate to meet expected cash flow requirements and would preclude the County from the need to sell investments at below carrying value. However, the County has in the past and may in the future elect to sell securities below carrying value, borrow short-term debt to fund cash flow needs and take other actions as the County Treasurer may deem warranted by prudent fiscal management.

County Investment Policy. The current investment policy was adopted by the Board on [January 27, 2015] (the "County Investment Policy"). To meet the requirements of both liquidity and long-term investment needs, the County adopted, and from time to time amends, County Investment Policy. The County Pool attempts to match maturities with capital expenditures and other planned outlays. The County Pool is designed to maximize the return on investable funds over various market cycles, consistent with limiting risk and prudent investment principles. Yield is considered only after safety and credit quality have been met. The purpose of the County Pool is to provide investors with a reasonably predictable level of income.

The maximum allowable maturity of instruments in the County Pool at the time of investment is seven years and the maximum dollar weighted average maturity of the fund is three years. Subject to California law, funds deposited in the County Pool under the County Investment Policy may only be reclaimed at the rate of 12.5% of the principal balance per month, exclusive of apportionment, payrolls and day-to-day operations, unless specifically authorized by the County Treasurer. Gains and losses in the County Pool are proportionately allocated to each depositor quarterly, each being given credit for accrued interest earnings and capital gains based on their average daily pool balance. The minimum balance for an outside agency to maintain an account in the County Pool is $250,000.

The County Treasurer may not leverage the County Pool through any borrowing collateralized or otherwise secured by cash or securities held unless authorized by the County Investment Policy in accordance with California law. The County Investment Officer is prohibited from doing personal business with brokers that do business with the County.

The fund also permits investments in repurchase agreements in an amount not exceeding 100% of the fund value. Collateralization on repurchase agreements is set at 102%. The County Investment Policy permits certain securities lending transactions up to a maximum of 20% of the County Pool. The program is conducted under a Custody Agreement by and between the County and The Bank of New York, as custodian.

The Board has established an eight-member County Treasury Oversight Committee (the "Oversight Committee") pursuant to State law. Members are selected pursuant to State law.

The Oversight Committee meets at least three times a year to evaluate general strategies, to monitor results and to evaluate the economic outlook, portfolio diversification, maturity structure and potential risks to the funds. It will also consider cash projections and needs of the various participating entities, control of disbursements and cost-effective banking relationships.

The County Treasurer prepares a monthly report for the County Pool participants, the Board and members of the Oversight Committee stating the type of investment, name of the issuer, maturity date, par and dollar amount of the investment. The report also lists average maturity and market value. In addition, the County Treasurer prepares a cash flow report which sets forth projections for revenue inflows and interest earnings as compared to the projections for the operating and capital outflows of depositors. The projection will be for at least the succeeding twelve months. An annual audit of the portfolios, procedures, reports and operations related to the County Pool will be conducted in compliance with California law.

The County Investment Policy is reviewed and approved annually by the Board. All amendments to the policy must be approved by the Board.

Lehman Bankruptcy. On September 15, 2008, Lehman Inc. ("Lehman") filed the largest bankruptcy in United States history. In addition to private investors around the world, numerous public agencies from around the country that had retirement or investment funds in Lehman experienced losses. The County had invested about 5.9% of its investment pool in Lehman securities. Specifically, of a total County Pool of approximately $2.6 billion, the County Pool wrote down approximately $155 million in value as a result of the bankruptcy. This write down resulted in a projected $8.6 million loss to the County's General Fund and a total $30 million loss to the County. The County Treasurer charged the loss against investment income for the quarter ending September 30, 2008, with the net result of a loss of 4.7% against each pool participant based on their average daily balance for the quarter ending September 2008. The County subsequently engaged in an aggressive effort to recover the Lehman loss by becoming a creditor in the bankruptcy action, becoming actively involved in a nationwide effort to recover the lost funds through federal legislative efforts, and by filing a lawsuit in 2009 against former Lehman officers and directors and Ernst & Young LLP, Lehman's independent accounting firm, seeking damages for alleged securities fraud.

In ______, 20__, thirteen school districts sued the County and the County Treasurer claiming over $50 million dollars in damages due to the County Pool losses as a result of the Lehman bankruptcy. The County had its demurrer sustained in the Superior Court in San Francisco and the case was appealed by the plaintiffs to the Court of Appeals. In _______, 20__, the Court of Appeal upheld the trial Court's ruling, and the State Supreme Court has denied hearing the plaintiffs' appeal of the lower courts' decisions.

The Bankruptcy Court approved the Lehman liquidation plan in 2011, which included a total distribution (i.e. the total payout from the liquidation of Lehman) to take approximately two years with four to five semiannual distributions occurring in spring and fall. The first bi-annual distribution took place in April 2012, and as of April 2013 three separate distributions were made whereby the County received approximately 14.8% of its $155 million claim. In August 2013, the County's remaining interests in Lehman were sold for approximately $38.6 million, bringing the County Pool's total recovery through the bankruptcy proceedings to approximately $61.6 million, or 39.8%, of the $155 million claim.

[A settlement was recently reached in connection with the County's lawsuit against former Lehman officers and directors. As of February 2014, the former officers and directors of Lehman had paid $5.2 million to the County, for a total recovery to date of $70.8 million or 45.8% of its $155 million claim. The lawsuit against Ernst & Young LLP continues.]

[Since the Lehman loss, the performance of the County Pool has improved. The average investment return from the County Pool was 0.99% and 0.70% in fiscal years 2011-12 and 2012-13, respectively.]

For further information regarding the existing County Pool, see note 2 to the audited financial statements of the County included in Appendix C hereto.

RISK FACTORS

The following factors, which represent material risk factors that have been identified at this time, should be considered along with all other information in this Official Statement by potential investors in evaluating the Bonds. There can be no assurance made that other risk factors will not become evident at any future time.

Base Rental Payments Not County Debt

NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY NOR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE BONDS OR FOR THE

PAYMENT OF BASE RENTAL PAYMENTS UNDER THE FACILITY LEASE. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other municipal services before making Base Rental Payments and other payments due under the Facility Lease. The same result could occur if, because of State Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues.

The Bonds are being issued by the Authority pursuant to the Joint Exercise of Powers Act, California Government Code 6500 *et seq.* (the "JPA Act"), and are not debt of the County. The Supreme Court of the State of California in its 1998 decision of *Rider v. City of San Diego*, 18 Cal. 4th 1035, upheld the validity of a joint powers agency financing and found that bonds issued pursuant to the JPA Act and payable from lease payments made pursuant to a lease with the City of San Diego were not subject to the State constitutional provision that requires two-thirds voter approval of indebtedness incurred by a city, county or school district. No voter approval of the Bonds or the Facility Lease has been sought. Based on an analysis of existing laws and court decisions, Bond Counsel is delivering its opinion on the validity of the Bonds and the Facility Lease in the form attached hereto in APPENDIX E.

Abatement Risk

During any period in which, by reason of material damage or destruction, there is substantial interference with the use and possession by the County of any portion of the Facilities, rental payments due under the Facility Lease with respect to the Facilities will be abated proportionately, and the County waives any and all rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. See "SECURITY FOR THE BONDS — Base Rental Payments" herein.

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Facility Lease and the Trustee is not empowered to sell a fee simple interest in the Facilities and use the proceeds of such sale to prepay the Bonds or pay debt service thereon. The County thus would be liable only for principal and interest payments as they became due, and the Trustee would be required to seek a separate judgment for each payment, if any, not made. Any such suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest as described below.

Limitation on Remedies

The enforcement of any remedies provided in the Facility Lease and the Trust Agreement could prove both expensive and time consuming. Although the Facility Lease provides that if the County defaults the Authority may reenter the Facilities and re-let it, portions of the Facilities may not be easily recoverable, and even if recovered, could be of little value to others because of the Facilities' specialized nature. Additionally, the Authority may have limited ability to re-let the Facilities to provide a source of rental payments sufficient to pay the principal and interest on the Bonds so as to preserve the tax-exempt nature of interest on the Bonds. Furthermore, due to the governmental nature of the Facilities, it is not certain whether a court would permit the exercise of the remedy of re-letting with respect thereto.

Alternatively, the Authority may terminate the Facility Lease and proceed against the County to recover damages pursuant to the Facility Lease. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Risk of Uninsured Loss

The County covenants under the Facility Lease to maintain certain insurance policies on the Facilities. These insurance policies do not cover all types of risk. For example, the Facilities could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Base Rental Payments could occur and could continue indefinitely. In cases where the casualty is covered by insurance, there can be no assurance that the County's insurance carriers will in all events be able or willing to make payments under their respective policies should a claim be made. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Facilities will be sufficient to repair or replace the Facilities or to redeem the Bonds.

The County currently insures all its buildings against earthquake and flood damage. However, the County makes no pledge to maintain such insurance and may discontinue earthquake coverage at its sole discretion. See "—Risk of Earthquake" below.

Certain of the County's insurance policies provide for deductibles that vary according to insured peril. Should the County be required to meet such deductible expenses, the availability of General Fund revenues to make Base Rental Payments may be correspondingly affected.

No Limitation on Incurring Additional Obligations

Neither the Facility Lease nor the Trust Agreement contains any limitations on the ability of the County to enter into other obligations that may constitute additional claims against its General Fund revenues. To the extent that the County incurs additional obligations, the funds available to make Base Rental Payments may be decreased. The County is currently liable on other obligations payable from General Fund revenues. See "COUNTY FINANCIAL INFORMATION—Indebtedness" herein.

No Obligation to Replace Reserve Facility upon Surety Provider Rating Downgrade

Regardless of any change in rating or any other change in status (including, but not limited to, insolvency, dissolution or bankruptcy) of the Series 2016 Reserve Provider after the deposit of such Series 2016 Reserve Facility, the Authority is under no obligation to replace the Series 2016 Reserve Facility or to deposit additional cash to the Series 2016 Reserve Account with respect to the amount of the Series 2016 Reserve Facility. See "SECURITY FOR THE BONDS—Series 2016 Reserve Account."

Bankruptcy

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement and the Facility Lease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights. The County is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the County is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Bonds; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the County's various obligations over the objections of the Trustee or all of the Owners of the Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The adjustment of similar obligations is currently being litigated in federal court in connection with bankruptcy applications by the cities of San Bernardino and Stockton. The Adjustment Plans in these cities propose significant reductions in the amounts payable by the cities under lease revenue obligations substantially identical to the Bonds. The County can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

In addition, the County could either reject the Site Lease or the Facility Lease or assume the Site Lease or the Facility Lease despite any provision of the Site Lease or the Facility Lease that makes the bankruptcy or insolvency of the County an event of default thereunder. If the County rejects the Facility Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Facility Lease and the County's obligations to make payments thereunder. The County may also be permitted to assign the Facility Lease (or the Site Lease) to a third party, regardless of the terms of the transaction documents. If the County rejects the Site Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection may terminate both the Site Lease and the Lease and the obligations of the County to make payments thereunder.

The Authority is a public agency and, like the County, cannot be the subject of an involuntary case under the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. If the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Trust Agreement. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of an Adjustment Plan for the adjustment of the Authority's various obligations over the objections of the Trustee or all of the Owners of the Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is fair and equitable and in the best interests of creditors.

In addition, in a bankruptcy of the Authority, the assignment by the Authority to the Trustee of the Site Lease and the Facility Lease could be characterized as a pledge rather than an absolute assignment. Under such circumstances, the Authority may be able to either reject the Site Lease or the Facility Lease or assume the Site Lease or the Facility Lease despite any provision of the Site Lease or the Facility Lease that makes the bankruptcy or insolvency of the Authority an event of default thereunder. If the Authority rejects the Site Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate both the Site Lease and the Facility Lease and the obligations of the County to make payments thereunder. If the Authority rejects the Facility Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection may terminate the Facility Lease and the County's obligations to make payments thereunder. The Authority may also be permitted to assign the Site Lease or the Facility Lease to a third party, regardless of the terms of the transaction documents.

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," certain acts or omissions of the County in violation of its covenants in the Trust Agreement and the Facility Lease could result in the interest evidenced by the Bonds being includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Bonds. Should such an event of taxability occur, the Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the provisions contained in the Trust Agreement.

Risk of Earthquake

There are several earthquake faults in the greater San Francisco Bay Area that potentially could result in damage to buildings, roads, bridges, and property within the County in the event of an earthquake. Past experiences, including the 1989 Loma Prieta earthquake, have resulted in minimal damage to the infrastructure and property in the County. Earthquake faults that could affect the County include the San Andreas Fault within portions of the County. Local building codes take into account the likelihood of seismic activity and are intended to provide both earthquake building design integrity and safety to the building occupants.

It is possible that the County could sustain damage to its facilities if a major seismic event greater than those experienced in recent years should occur within or near the County. Such damage would likely occur from ground motion and possible liquefaction of underlying soils. Damage could include slope failures along shorelines, pavement displacement, distortions of pavement grades, breaks in utility, drainage and sewage lines, displacement or collapse of buildings and other facilities, failure of bulkhead walls and rupture of gas and fuel lines. Any such destruction could adversely affect the County's ability to make Base Rental Payments.

The Facility Lease does not require the County to maintain earthquake insurance on the Facilities. The County currently insures all of its buildings against certain risks, including earthquake damage, through a $50 million per occurrence and in the aggregate property insurance policy, subject to certain deductibles as described under "COUNTY FINANCIAL INFORMATION—Self-Insurance Programs" herein. Earthquake insurance may be reduced or eliminated at the County's sole discretion.

Risk of Sea Level Changes and Flooding

In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property in the State is at risk of flooding from 100-year flood events as a result of a 1.4 meter sea level rise. The paper further estimates that the replacement value of this property totals nearly $100 billion (in 2000 dollars). Approximately one-quarter of the value of this at-risk property is concentrated in the County, indicating that the County is particularly vulnerable to impacts associated with sea-level rise due to extensive development on its coastline. A wide range of critical infrastructure, such as roads, airports, hospitals, schools, emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

The County is unable to predict whether sea-level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the County and the local economy. The obligation of the County to make Base Rental Payments may be abated if the Facilities or any improvements thereon are damaged or destroyed by sea-level rise or other impacts of climate change. There can be no assurance that the Facilities would not be damaged in whole or in part by a sea-level rise or other impacts of climate change.

Hazardous Substances

Owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many, of these laws, the owner (or operator) is obligated to remedy a hazardous substance whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect the operations and finances of the County.

The County knows of no existing hazardous substances which requite remedial action on or near the Facilities. However, it is possible that such substances do currently or potentially exist and that the County is not aware of them.

Limitation on Revenues

There are limitations on the ability of the County to increase revenues. The ability of the County to increase the *ad valorem* property taxes (which have historically been an important source of revenues for counties in California) is limited pursuant to Article XIIIA, which was enacted in 1978. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING COUNTY REVENUES AND EXPENDITURES" herein.

The County receives a significant portion of its revenue from State and federal sources. Decreases in revenues received by the State can affect subventions made to the County and other counties in the State. In addition, actions taken by Congress and federal executive branch agencies including, without limitation, reductions in federal spending, could materially reduce the revenues received by the County. The potential impact of State budget actions for future fiscal years on the County is uncertain at this time. See "COUNTY FINANCIAL INFORMATION—Intergovernmental Revenues" herein. See also "—State Budget Concerns" below.

State Budget Concerns

The State, upon which the County relies for a material portion of its revenues, has experienced budget shortfalls in recent years. While there has been recent significant budgetary improvements, there remain a number of major risks and pressures that threaten the State's financial condition. In addition, the State's revenues can be volatile. Decreases in State revenues may significantly affect appropriations made by the State to counties and the timing of payment to counties by the State may depend upon the ability of the State to access the credit markets with respect to its own cash flow borrowings in the future. See "COUNTY FINANCIAL INFORMATION—Intergovernmental Revenues" herein.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING COUNTY REVENUES AND EXPENDITURES

Property Tax Rate Limitations – Article XIIIA

Article XIIIA of the State Constitution limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Appropriations Limitations – Article XIIIB

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979 thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). In June 1990, Article XIIIB was amended by State voters through their approval of Proposition 111. Under Article XIIIB, the State and each local governmental entity has an annual "appropriations limit" and is not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, State subventions and certain other funds) in an amount higher than the appropriations limit. Article XIIIB does not affect the appropriations of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain fiscal year 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

"Appropriations subject to limitation" are authorizations to spend "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service," but "proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on appropriations of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Not included in the Article XIIIB limit are appropriations for the debt service costs of bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government and appropriations for qualified capital outlay projects. The appropriations limit may also be exceeded in certain cases of emergency.

The appropriations limit for the County in each year is based on the County's limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in State per capita personal income, or (ii) the percentage change in the local assessment roll on nonresidential property. Either test is likely to be greater than the change in the cost of living index, which was used prior to Proposition 111.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by a County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. As originally enacted in 1979, the County's appropriations limit was based on fiscal year 1978-79 authorizations to expend proceeds of taxes and was adjusted annually to reflect changes in cost of living and population (using different definitions, which were modified by Proposition 111). Starting with fiscal year 1990-91, the County's appropriations limit was recalculated by taking the actual fiscal year 1986-87 limit, and applying the annual adjustments as if Proposition 111 had been in effect. The County's appropriations limit for fiscal year 2014-15 is approximately $[____] million. For fiscal year 2014-15 the estimated appropriations subject to the limit amount is approximately $[____] million.

Articles XIIIC and XIIID – Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Article XIIIC ("Article XIIIC") and Article XIIID ("Article XIIID") to the State Constitution, which contains a number of provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIIIC requires that all new local taxes or increases in existing local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. The voter-approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet any increased expenditure requirements.

Article XIIID contains provisions relating to how local agencies may levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIIID also contains several provisions affecting "property-related fees" and "charges," defined for purposes of Article XIIID to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property-related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property-related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property-related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Fees for electrical and gas service are explicitly exempted from the definition of "property-related" under Article XIIID. Property-related fees or charges for services other than sewer, water and refuse collection services may not be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. In addition to the provisions described above, Proposition 218 removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge.

Proposition 218 continues to be interpreted by California courts. The State Supreme Court's 2006 decision in *Bighorn-Desert View Water Agency* found that metered charges for consumption of water by a public agency fell within the "property-related" fees subject to Proposition 218. Fees for sewer and refuse collection could also be found to be within the definition of property-related fees. If such charges are property-related charges, rate increases would be subject to notice, hearing and majority protest, but not prior voter approval, and rates and charges could be reduced by referendum.

Statutory Revenue Limitations – Proposition 62

Proposition 62 is a Statewide statutory initiative adopted by the voters at the November 4, 1986 general election. It added Sections 53720 to 53730 to the Government Code of the State to require that all new local taxes be approved by the voters. The statute provides that all local taxes are either general taxes or special taxes. General taxes are imposed for general governmental purposes. Special taxes are imposed for specific purposes only. General taxes may not be imposed by local government unless approved by a two-thirds vote of the entire legislative body and a majority of the voters voting on the proposed general tax. Special taxes may not be imposed by local government unless approved by a majority of the entire legislative body and by two-thirds of the voters voting on the special tax. Soon after Proposition 62 was adopted by the voters, legal challenges to taxes adopted contrary to its provisions were filed. In 1991, in the most significant case, *City of Woodlake v. Logan*, the California Court of Appeal held that the statutory voter approval requirement for general taxes was unconstitutional. The California Supreme Court refused to review *Woodlake*.

On September 28, 1995, the California Supreme Court, on a 5-2 vote, in a decision entitled *Santa Clara County Local Transportation Authority v. Guardino* (Case No. S036269), "disapproved" *Woodlake* and held that the voter approval requirements of Proposition 62 are valid. On December 14, 1995, the Supreme Court made minor nonsubstantive changes to its written opinion and denied the petition for rehearing. The decision provides that the voter approval requirements of Proposition 62 for both general and special taxes are valid. The *Guardino* case fails to say (i) whether the decision is retroactively applicable to general taxes adopted prior to the decision; (ii) whether taxpayers have any remedies for refund of taxes paid under a tax ordinance that was not voter approved; (iii) what statute of limitations applies to taxes adopted without voter approval prior to *Guardino*; (iv) whether Proposition 62 applies only to new taxes or to tax increases as well.

Several questions raised by the *Guardino* decision remain unresolved. Proposition 62 provides that if a jurisdiction imposes a tax in violation of Proposition 62, the portion of the 1% general *ad valorem* tax levy allocated to that jurisdiction is reduced by $1 for every $1 in revenue attributable to the improperly imposed tax for each year that such tax is collected. The practical applicability of this provision has not been fully determined. Potential future litigation and legislation may resolve some or all of the issues raised by the *Guardino* decision.

Proposition 1A

Proposition 1A (SCA 4), proposed by the Legislature in connection with the State budget for fiscal year 2004-05 and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. By adding Section 25.5 to Article XIII of the State Constitution, Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature.

Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

By amending Section 15 of Article XI of the State Constitution, Proposition 1A also provides that if the State reduces the VLF rate currently in effect, which is 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, by amending Section 6 of Article XIIIB, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Proposition 22

On November 2, 2010, voters in the State approved Proposition 22. Proposition 22, known as the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for state-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 26

On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (i) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (ii) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (iii) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (iv) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (v) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (vi) a charge imposed as a condition of property development; and (vii) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not expect the provisions of Proposition 26 to materially and adversely affect its ability to pay Base Rental Payments when due.

Proposition 30

On November 6, 2012, voters approved Proposition 30, also known as "Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment," which provided temporary increases in personal income tax rates for high-income taxpayers and a temporary increase in the States sales tax rate, and specified that the additional revenues will support K-14 public schools and community colleges as part of the Proposition 98 guarantee. Proposition 30 also adds to the State Constitution certain requirements related to the transfer of specified State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees and providing substance abuse treatment services.

Future Initiatives

Article XIIIA, Article XIIIB and the other Propositions referenced above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other State or local initiative measures could be adopted, which may place further limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations which may affect the County's revenues or its ability to expend its revenues.

THE AUTHORITY

The San Mateo County Joint Powers Financing Authority was formed pursuant to the provisions of Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and a Joint Exercise of Powers Agreement, dated May 15, 1993, as amended, by and between the County and the Community Development Commission. The Community Development Commission is a public body, corporate and politic formed, organized, existing and exercising its powers pursuant to Section 34100, *et seq.* of the California Health and Safety Code. The Community Development Commission is not a redevelopment agency or successor thereto.

The Authority was formed to assist the County in the financing of public capital improvements. The Authority presently acts as lessor for the Facilities, as well as the issuer in other County financings. The Authority functions as an independent entity and its policies are determined by a five-member board appointed by the Board. The Authority has no employees and all staff work is done by the County staff or by consultants to the Authority.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the County have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the House Ways and Means Committee Chair recently released draft legislation. This draft legislation would subject interest on the Bonds to federal income tax at an effective rate of 10% or more for individuals, trusts or estates in the highest income tax bracket. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the County have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the County or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the County and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the County or the Beneficial Owners to incur significant expense.

INDEPENDENT ACCOUNTANTS

The financial statements of the County for the fiscal year ended June 30, 2015 included in Appendix C to this Official Statement, have been audited by Macias Gini & O'Connell LLP, the County's independent auditor, as set forth in their report dated _________, 2015, which also appears in Appendix C. Macias Gini & O'Connell LLP has not been engaged to and has not performed any procedures subsequent to the date of their report related to the financial statements included herein nor performed any procedures related to this Official Statement. See "COUNTY FINANCIAL INFORMATION—Financial Statements" herein.

CONTINUING DISCLOSURE

The County will covenant pursuant to a Continuing Disclosure Agreement to provide each Annual Report by not later than March 30 of each calendar year, commencing with the report for fiscal year [2015-16 to be filed on or before March 30, 2017], and to provide notices of the Listed Events not later than ten business days after the occurrence of the event. The Annual Report and the notices of Listed Events will be filed by the County with the MSRB or any other entity designated or authorized by the SEC to receive such reports. Until otherwise designated by the MSRB or the SEC, filings with the MSRB will be made through the EMMA website of the MSRB, currently located at http://emma.msrb.org. These covenants will be made in order to assist the Underwriters (as defined herein) in complying with the Rule. See APPENDIX F – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by Schiff Hardin LLP, San Francisco, California. Certain legal matters will be passed upon for the Authority and for the County by County Counsel and by Sidley Austin LLP, San Francisco, California, Disclosure Counsel to the Authority and the County. Eric Tashman, a partner in the law firm of Sidley Austin LLP, which is serving as Disclosure Counsel to the County and the Authority in connection with the issuance of the Bonds, is a member of the Retirement Board of SamCERA. Bond Counsel, Disclosure Counsel and Underwriters' Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

LITIGATION

The County is not currently aware of any litigation that is pending or threatened concerning the validity of the Bonds, the Site Lease, the Facility Lease or the Trust Agreement, and with that continuing to be the case, an opinion of County Counsel to that effect will be furnished to the Underwriters at the time of the original delivery of the Bonds. There are a number of lawsuits and claims pending against the County. In the opinion of County Counsel, the aggregate amount of liability that the County might incur as a result of adverse decisions in such cases would be covered under the County's self-insurance program, its excess insurance coverage, or other sources of funds that would not materially adversely affect the payment of the Bonds.

The Authority is not aware of any litigation pending or threatened questioning the political existence of the Authority or the County or contesting the County's ability to appropriate or make Base Rental Payments.

RATINGS

Moody's and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") have assigned ratings of "___" and "___," respectively, to the Bonds. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the Bonds. There is no assurance that such ratings will continue for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely by the rating agencies, or either of them, if in their, or its, judgment, circumstances so warrant. The Authority, the County and the Trustee undertake no responsibility either to notify the Owners of the Bonds of any revision or withdrawal of the ratings or to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc., as representative of itself and Citigroup Global Markets Inc. (together, the "Underwriters" and each, an "Underwriter"). The Underwriters have agreed to purchase the Bonds at a purchase price of $[_________] (representing the aggregate principal amount of the Bonds, less an Underwriters' discount of $[__________], plus a [net original issue premium of $__________)]. The Underwriters will purchase all of the Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the Bonds.

The Underwriters may also offer and sell the Bonds to certain dealers and others at prices lower than the respective public offering prices stated or derived from information stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority and/or the County for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority and/or the County.

Citigroup Global Markets Inc., an Underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

MISCELLANEOUS

Any statements in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, are intended solely as such and not as representations of fact.

The preparation and distribution of this Official Statement have been authorized by the Authority and the County.

SAN MATEO COUNTY JOINT POWERS
FINANCING AUTHORITY

By: ____
Paul Scannell
President

COUNTY OF SAN MATEO

By: ____
John L. Maltbie
County Manager

APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION
REGARDING THE COUNTY OF SAN MATEO

There follows in this Official Statement a brief description of the County of San Mateo, California (the "County"), together with current information concerning the County's demographics and economy. The general information in this section concerning the County is provided as supplementary information only. Such information is provided as general information and has been obtained from sources that the County believes to be reliable, but the County makes no representations as to the accuracy or completeness of the information included.

Population

The following table shows the population of State of California (the "State"), the County and the six largest cities within the County.

Table A-1
COUNTY OF SAN MATEO AND INCORPORATED CITIES
POPULATION
2011 THROUGH 2015(1)

	2011	2012	2013	2014	2015
Six Largest Cities:					
Daly City	101,442	102,286	103,458	105,141	105,810
Pacifica	37,367	37,562	37,988	30,315	38,551
Redwood City	77,299	78,049	79,159	80,818	81,838
San Bruno	41,663	42,345	42,874	43,247	44,409
San Mateo	97,557	98,052	99,167	100,170	101,429
South San Francisco	63,827	64,145	65,198	65,749	66,193
Total County	722,372	727,793	736,647	745,635	753,123
Total State	37,427,946	37,688,804	37,984,138	38,357,121	38,714,725

(1) As of January 1 for the year shown.

Source: Historical Population Estimates for Cities, Counties and the State, 2011-2015, California Department of Finance, May 2015.

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Employment

The County's annual unemployment rate was 4.2% for 2014, a 1.2% decrease from 2013. The following table compares labor force, employment and unemployment for the County, the State and the United States. The unemployment rate in the County has consistently been lower than that of the State and the nation, as illustrated in the following table.

Table A-2
COUNTY OF SAN MATEO
ANNUAL AVERAGE LABOR FORCE AND INDUSTRY EMPLOYMENT
2010 through 2014(1)

Year	Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2010	County of San Mateo	375,200	342,400	32,900	8.8%
	State of California	18,330,500	16,063,500	2,267,000	12.4%
	United States	153,889,000	139,064,000	14,825,000	9.6%
2011	County of San Mateo	383,800	353,400	30,300	7.9%
	State of California	18,404,500	16,237,300	2,167,200	11.8%
	United States	153,617,000	139,869,000	13,747,000	8.9%
2012	County of San Mateo	394,300	367,800	26,500	6.7%
	State of California	18,494,900	16,560,300	1,934,500	10.5%
	United States	154,975,000	142,469,000	12,506,000	8.1%
2013	County of San Mateo	403,600	381,800	21,800	5.4%
	State of California	18,551,000	16,970,000	1,581,000	8.5%
	United States	155,389,000	143,929,000	11,460,000	7.4%
2014	County of San Mateo	430,800	412,700	18,100	4.2%
	State of California	18,811,400	17,397,100	1,414,300	7.5%
	United States	155,922,000	146,305,000	9,617,000	6.2%

(1) Data not seasonally adjusted. Data may not add due to rounding. The County's unemployment date is calculated using rounded data.

Source: State of California Employment Development Department; United States Department of Labor Bureau of Labor and Statistics.

The ten largest employers in the county and their respective average number of employees are set forth in the following table.

Table A-3
COUNTY OF SAN MATEO
TEN LARGEST EMPLOYERS
(As of April 2015)

Employer	Type of Business	Number of Employees in the County
Genentech, Inc.	Biotechnology	9,800
Oracle Corporation	Hardware and Software	6,750
County of San Mateo	County Government	5,472
Facebook	Social Networking Website	3,957
Visa Inc.	Payments Technology	3,900
Gilead Sciences, Inc.	Biopharmaceuticals	3,115
Mills-Peninsula Health Services	Health Care	2,500
San Mateo County Community College District	Education	2,285
Electronic Arts	Video Game Developer and Publisher	1,550
Seton Medical Center	Acute Care Hospital and Skilled Nursing Facility	1,503

Source: San Francisco Business Times, 2015 Book of Lists.

Industry and Employment

The largest industries in the County, in terms of the percentage of employment in each respective industry, are set forth in the following table.

Table A-4
COUNTY OF SAN MATEO
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
2014[1]

Industry	Number of County Employees	% of County Employment
Professional and Business Services	75,400	20.3%
Trade, Transportation & Public Utilities	74,300	20.0
Education and Health Services	42,800	11.5
Leisure and Hospitality	41,200	11.1
Other	34,600	9.3
Government	31,200	8.4
Information	26,200	7.0
Manufacturing	25,700	6.9
Financial Activities	20,700	5.6
Total[2]	372,200	100.0%

(1) All information updated per March 2014 Benchmark. Data for 2015 is not yet available.
(2) Totals may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information Division.

The following table shows employment by industry group in the County.

Table A-5
COUNTY OF SAN MATEO
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY GROUP[1]
2010 through 2014[2]
(In Thousands)

Industry Group	2010	2011	2012	2013	2014
Total Farm	1.7	1.6	1.6	1.7	1.7
Total Nonfarm	315.9	324.5	338.0	353.2	370.5
Mining, Logging and Construction	13.4	14.5	15.3	16.8	19.0
Manufacturing	26.3	25.5	24.4	25.5	25.7
Durable Goods	12.7	12.2	11.8	11.9	11.7
Nondurable Goods	13.6	13.3	12.6	13.5	14.0
Trade, Transportation & Public Utilities	68.5	68.5	70.3	72.3	74.3
Wholesale Trade	11.2	11.1	11.5	11.2	11.6
Retail Trade	32.8	33.2	33.2	34.1	35.1
Transportation, Warehousing & Utilities	24.4	24.2	25.6	27.1	27.7
Information	17.5	17.9	20.9	23.8	26.2
Financial Activities	18.6	19.4	20.0	20.2	20.7
Finance & Insurance	13.2	13.5	13.8	13.9	14.3
Real Estate & Rental & Leasing	5.4	5.9	6.2	6.3	6.3
Professional & Business Services	60.0	64.1	69.8	71.2	75.4
Professional, Scientific & Technical Services	37.7	40.9	45.6	45.2	47.1
Management of Companies & Enterprises	4.6	4.0	3.9	4.6	5.7
Administrative & Support & Waste Services	17.7	19.2	20.3	21.5	22.6
Educational & Health Services	35.3	36.3	37.4	40.1	42.8
Educational Services	5.1	5.4	5.8	6.3	7.3
Health Care & Social Assistance	30.2	31.0	31.6	33.8	35.5
Leisure & Hospitality	33.8	35.5	36.8	39.4	41.2
Arts, Entertainment & Recreation	5.1	5.1	5.1	5.2	5.3
Accommodation & Food Services	28.7	30.4	31.7	34.3	35.9
Other Services	11.2	12.2	12.9	13.4	13.9
Government[3]	31.3	30.6	30.3	30.4	31.2
Federal Government	4.0	3.8	3.7	3.6	3.7
State Government	0.6	0.6	0.6	0.6	0.6
Local Government	26.7	26.2	26.0	26.2	26.9
Total All Industries[4]	317.6	326.1	339.6	354.8	372.2

(1) Employment is by place of work and does not include persons who are involved in labor management trade disputes, self-employed, or unpaid family workers.
(2) All information updated per March 2014 Benchmark. Data for 2015 is not yet available.
(3) Includes all civilian government employees regardless of activity in which engaged.
(4) Totals may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information Division.

Per Capita Income

Per capita income figures for the County, the State and the United States are presented in the following table. In 2013, the latest year for which annual data is available, the County's per capita income was 65% higher than that of the State and 78.5% higher than that of the United States.

Table A-6
COUNTY OF SAN MATEO
PER CAPITA PERSONAL INCOME
2009 through 2013(1)

Year	County	State	United States
2009	65,345	41,569	39,357
2010	66,362	42,297	40,163
2011	71,051	44,749	42,332
2012	79,410	47,505	44,200
2013	79,893	48,434	44,765

(1) Data is not yet available for 2014.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, CA1-3 Personal Income Summary (per capita personal income).

Commercial Activity

Commercial activity is an important contributor to the county's economy. The following table shows the county's taxable transactions by type of business.

Table A-7
COUNTY OF SAN MATEO
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
2009 through 2013(1)
($ in Thousands)

Type of Business	2009	2010	2011	2012	2013
Motor Vehicle and Parts Dealers	$ 1,063,294	$ 1,117,487	$ 1,241,177	$ 1,464,005	$ 1,682,692
Furniture and Home Furnishings Stores	300,412	317,652	342,833	362,570	362,764
Electronics and Appliance Stores	330,175	346,647	365,610	388,186	415,878
Building Materials and Garden Equipment and Supplies	713,094	699,781	716,722	758,787	843,865
Food and Beverage Stores	501,724	508,941	532,524	563,507	584,609
Health and Personal Care Stores	235,628	237,703	250,853	261,067	271,039
Gasoline Stations	804,551	935,284	1,154,740	1,262,692	1,250,794
Clothing and Clothing Accessories Stores	568,905	595,402	633,937	683,382	727,281
Sporting Goods, Hobby, Book and Music Stores	256,251	267,291	281,291	291,677	312,953
General Merchandise Stores	950,724	1,026,497	1,088,960	1,130,266	1,131,430
Miscellaneous Store Retailers	453,346	458,350	472,251	493,970	533,740
Nonstore Retailers	51,388	55,945	64,097	114,986	206,203
Food Services and Drinking Places	1,226,275	1,279,295	1,391,048	1,502,049	1,612,392
All Other Outlets	3,871,255	4,120,063	4,484,599	4,629,834	4,675,976
Total All Outlets(2)	$ 11,327,022	$ 11,966,338	$ 13,020,643	$ 13,906,978	$ 14,611,618

(1) Annual data is not yet available for 2014.
(2) Totals may not add due to rounding.

Source: Taxable Sales In California (Sales and Use Tax) Reports California State Board of Equalization.

Construction Activity

The total valuation of building permits issued in the County amounted to approximately $1.82 billion in 2014 for both residential and commercial construction. The following table provides a building permit valuation summary for the County.

Table A-8
COUNTY OF SAN MATEO
NEW BUILDING PERMIT VALUATION
2010 through 2014
($ in Thousands)

Type of Permit	2010	2011	2012	2013	2014
Residential:					
New Single-Dwelling	$ 189,297	$ 194,950	$ 248,414	$ 286,238	$ 289,903
New Multi-Dwelling	21,309	107,040	162,233	124,289	168,859
Additions/ Alterations	262,592	250,364	188,187	269,246	348,231
Total Residential[1]	$ 473,198	$ 552,354	$ 598,834	$ 679,773	$ 806,993
Non Residential:					
New Commercial	$ 61,315	$ 6,734	$ 29,783	$ 66,843	$ 432,585
New Industrial	–	3,359	2,022	15,724	9,600
Other	41,272	55,495	40,316	120,295	84,241
Additions/Alterations	289,031	249,545	159,618	241,362	490,365
Total Non Residential[1]	$ 391,618	$ 315,133	$ 231,739	$ 444,224	$ 1,016,791
Total Valuation[1]	$ 864,816	$ 867,487	$ 830,573	$ 1,123,997	$ 1,823,784

(1) Totals may not add up due to independent rounding.

Source: California Homebuilding Foundation I Construction Industry Research Board.

Transportation

San Francisco International Airport. San Francisco International Airport (the "Airport") is located in an unincorporated area of the County. According to the preliminary results of Airport Council International's 2012 survey of U.S. airports, it is the seventh busiest airport in the nation in terms of passenger volume and the seventeenth busiest in cargo volume. Fifty major passenger and commuter airlines fly from the Airport, and twenty-nine of them serve international destinations. The Airport Commission of the City and County of San Francisco reports that air traffic at the Airport in fiscal year ended June 30, 2014 included approximately 46.1 million passengers, a 3.4% increase from the previous fiscal year.

The Airport handled 370,525 metric tons of cargo in fiscal year ended June 30, 2014, a slight increase over the previous fiscal year.

Although the Airport is owned and operated by the City and County of San Francisco, it plays a very significant part in the economy of the County. Air transportation is the County's largest single industry. According to an Economic Impact Study of the Airport's economic impact in 2012 prepared by the Economic Development Research Group, Inc., approximately 20,500 people are employed directly or indirectly by the airlines, cargo carriers, restaurants, aviation suppliers and other Airport-related businesses.

The following table presents certain data regarding the Airport for its five most recent fiscal years.

Table A-9
SAN FRANCISCO INTERNATIONAL AIRPORT
PASSENGER, CARGO AND MAIL DATA
Fiscal Years Ended June 30, 2010 through 2014

Fiscal Year Ended June 30	Passengers Enplanements and Deplanements	Freight and Express Air Cargo and U.S. and Foreign Mail (Metric Tons)
2010	38,203,961	431,990
2011	39,726,471	398,383
2012	42,863,656	385,113
2013	44,608,177	370,195
2014	46,057,988	370,525

Source: Airport Commission of the City and County of San Francisco, Continuing Disclosure Annual Report, dated January 20, 2015.

Port of Redwood City. The Port of Redwood City (the "Port") is also located in the County. The Port has a deep-water channel and handles bulk cargo including lumber and scrap metal. In its fiscal year ended June 30, 2015, the Port handled a total of 1,715,633 metric tons of cargo according to the Port Commission's most recent annual tonnage press release in July 2015.

San Francisco Bay Area Rapid Transit District ("BART"). The County is connected to downtown San Francisco and the East Bay by BART. In its fiscal year ended June 30, 2014, there were 33,264 station exits on an average weekday at the County's six stations (Daly City, Colma, South San Francisco, San Bruno, Millbrae and the Airport). This represents a 1.1% increase from the prior fiscal year.

Caltrain. Caltrain, the three-county commuter railway system that runs between San Francisco and Gilroy, added its lines of express service from San Francisco to San Jose in 2004. Caltrain reported an average weekday ridership count of 58,245 passengers in its 2015 annual passenger count, a 10.7% increase from the prior year count. Average weekday ridership has increased by more than 243% since 2004.

APPENDIX B

BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2015 Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co. a consenting or voting right to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC or of its nominee, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and redemption proceeds, distributions, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

The Authority cannot and do not give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority is not responsible or liable for the failure of DTC or any Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

Neither the Authority nor the Trustee will have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Participant, or any Indirect Participant; (ii) the payment by DTC or any Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Bonds; (iii) any notice that is permitted or required to be given to Holders under the Trust Agreement; (iv) the

selection by DTC, any Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as Bondholder; or (vi) any other procedures or obligations of DTC, Participants or Indirect Participants under the book-entry system.

APPENDIX C

AUDITED COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR 2013-2014

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement"), dated as of _______, 2016, U.S. Bank National Association, as Trustee (the "Trustee") and as Dissemination Agent (as hereinafter defined), in connection with the issuance of $___________ San Mateo County Joint Powers Financing Authority Refunding Lease Revenue Bonds (Youth Services Campus) 2016 Series A (Maple Street Correctional Center) (the "Bonds"). The Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, and a Trust Agreement, dated as of January 1, 2016 (the "Trust Agreement"), by and between the San Mateo County Joint Powers Financing Authority (the "Authority") and the Trustee. The County, the Dissemination Agent and the Trustee covenant and agree as follows:

SECTION 1. **Purpose of this Disclosure Agreement**. This Disclosure Agreement is being executed and delivered by the County pursuant to the Trust Agreement for the benefit of the Owners (as hereinafter defined) and Beneficial Owners (as hereinafter defined) of the Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with the Rule (as hereinafter defined).

SECTION 2. **Definitions**. The definitions set forth in the Trust Agreement shall apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"CUSIP Numbers" shall mean the Committee on Uniform Security Identification Procedure's unique identification number for each public issue of a security.

"Disclosure Report" shall mean any Disclosure Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean the Trustee or any other person authorized to act on his behalf, acting in the capacity of Dissemination Agent, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"EMMA System" shall mean the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system.

"Fiscal Year" shall mean the one-year period ending on June 30 of each year.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"Official Statement" shall mean the Official Statement issued by the County in connection with the sale of the Bonds.

"Owner" or "Bondowner" shall mean any person who shall be the registered owner of any one or more of the Bonds.

"Participating Underwriter" shall mean any of the underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. **Provision of Disclosure Reports**.

(a) The County shall, or shall cause the Dissemination Agent to, not later than March 30 of each year, commencing on March 30, 2017, with the report for the fiscal year ending June 30, 2016, provide to the MSRB through its EMMA System a Disclosure Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If the Dissemination Agent is other than the County or the Trustee, not later than fifteen (15) days prior to said date, the County shall provide the Disclosure Report to the Dissemination Agent (if other than the County). The Disclosure Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the County may be submitted separately from the balance of the Disclosure Report and later than the date required above for the filing of the Disclosure Report if they are not available by that date. If the County's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) Business Days prior to the date set forth in paragraph (a) above for providing the Disclosure Report to the MSRB, the County shall provide the Disclosure Report to the Dissemination Agent (if other than the County). If by such date, the Dissemination Agent has not received a copy of the County's Disclosure Report, the Dissemination Agent shall contact the County to determine if the County is in compliance with the first sentence of this subsection.

(c) If the Dissemination Agent is unable to verify that a Disclosure Report has been provided to the MSRB through its EMMA System by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB through the EMMA System in substantially the form attached as Exhibit A.

(d) If the Dissemination Agent is other than the County, the Dissemination Agent shall file a report with the County certifying that the Disclosure Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Agreement.

SECTION 4. **Content of Disclosure Reports**. The County's Disclosure Report shall contain or include by reference the following:

1. The audited financial statements of the County for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.

2. To the extent not included in the audited financial statements of the County, the Annual Report shall also include tabular or numerical information for the prior Fiscal Year of the types contained in the Official Statement under the following captions and/or sub-captions:

a. Table 4, Adopted County Budget – General Fund;

b. Table 14, Summary of Tax Levies and Collections – Secured Property;

c. Table 17, Secured Roll Assessed Valuation; and

d. Table 19, Ten Largest Taxpayers – Entire Roll.

3. A description of any occurrence which would adversely impact the County's beneficial use of the Facilities and any other occurrence which may provide the County with the opportunity to abate in whole or in part any Base Rental Payments.

The County has not undertaken in this Disclosure Agreement to provide all information an investor may want to have in making decisions to hold, sell or buy the Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through its EMMA System. The County shall clearly identify each such other document so included by reference.

SECTION 5. **Reporting of Significant Events**.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given notice of the occurrence of any of the following events (a "Listed Event") with respect to the Bonds:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. modifications to rights of Bond owners, if material;

8. bond calls, if material, and tender offers;

9. defeasances;

10. release, substitution or sale of property securing repayment of the Bonds, if material;

11. rating changes;

12. bankruptcy, insolvency, receivership, or similar event of the County. For purposes of this event the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;

13. consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, but, in the case of a Listed Event described in Subsection 2, 7, 8 (but only with respect to bond calls), 10, 13 and 14 of Section 5(a), only in the event the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall file or shall cause to be filed a notice of such occurrence with the MSRB through its EMMA System, in an electronic format as prescribed by the MSRB, in a timely manner but not in excess of 10 business days after the occurrence of such Listed Event.

(c) If the Dissemination Agent is other than the County, the Dissemination Agent shall, as soon as reasonably practicable after obtaining actual knowledge of the occurrence of any of the Listed Events contact the County and request that the County promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsections (a) and (b) and promptly direct the Dissemination Agent whether or not to report such event to the Bondowners. In the absence of such direction, the Dissemination Agent shall not report such event unless required to be reported by the Dissemination Agent to the Bondowners under the Trust Agreement, as applicable. The Dissemination Agent may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, actual knowledge of the occurrence of such Listed Events shall mean actual knowledge by the Dissemination Agent. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

SECTION 6. **CUSIP Numbers**. Whenever providing information, including but not limited to Disclosure Reports, documents incorporated by reference in the Disclosure Reports, audited financial statements and notices of Listed Events, the County shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 7. **Termination of Reporting Obligation**. The County's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(b) hereof.

SECTION 8. **Dissemination Agent**. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Agreement.

SECTION 9. **Amendment; Waiver**. Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a), 5(b), 9(a), 9(b) (excluding the requirement that the related determination be set forth in an opinion of nationally recognized bond counsel) or 9(c) (excluding the requirement that the related determination be set forth in an opinion of nationally recognized bond counsel), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Trust Agreement, as applicable, for amendments to the Trust Agreement, respectively, with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the County shall describe such amendment in the next Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. **Additional Information**. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Disclosure Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Disclosure Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure

Agreement to update such information or include it in any future Disclosure Report or notice of occurrence of a Listed Event.

SECTION 11. **Default**. In the event of a failure of the County or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Participating Underwriter, Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the County or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. **Duties, Immunities and Liabilities of Dissemination Agent**. A Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the County agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. **Prior Undertakings**. The County hereby certifies that it is in compliance in all material respects with all prior undertakings made by it pursuant to the Rule.

SECTION 14. **Beneficiaries**. This Disclosure Agreement shall inure solely to the benefit of the County, the Dissemination Agent, if any, the Participating Underwriters and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. **Notices**. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the County:	County of San Mateo County Government Center 400 County Center, 1st Floor Redwood City, California 94063 Attention: County Manager
To the Dissemination Agent:	US Bank Global Corporate Trust 60 Livingston Avenue EP-MN-WS3C St. Paul, Minnesota 55107 Attention: Dan Sheff, Vice President

The County or the Dissemination Agent may, by written notice to the other parties acting hereunder, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 16. **Governing Law**. The laws of the State of California shall govern this Disclosure Agreement, the interpretation thereof and any right or liability arising hereunder, without regard to principles of conflict of law.

SECTION 17. **Counterparts**. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one in the same instrument.

IN WITNESS WHEREOF, this Disclosure Agreement is given this _____ day of January, 2016 by the County.

COUNTY OF SAN MATEO

By:_______________________________________

John L. Maltbie
County Manager

U.S. BANK NATIONAL ASSOCIATION

By:_______________________________________

Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	San Mateo County Joint Powers Financing Authority
Name of Bond Issue:	$__________ San Mateo County Joint Powers Financing Authority Refunding Lease Revenue Bonds (Youth Services Campus) 2016 Series A
Date of Issuance:	__________, 2016

NOTICE IS HEREBY GIVEN that the County of San Mateo (the "County") has not provided a Disclosure Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement relating to the Bonds. The County anticipates that the Disclosure Report will be filed by _______.

Dated: _______________, 20__

COUNTY OF SAN MATEO

By: [form only; no signature required]