RATINGS: Moody's: Aaa S&P: AAA Fitch: AAA See "RATINGS."

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon 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 2003 Series A 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 2003 Series A 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 accrual or receipt of the interest on, the 2003 Series A Bonds. See "TAX MATTERS" herein.



\$18,500,000 COUNTY OF CONTRA COSTA PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS (VARIOUS CAPITAL PROJECTS), 2003 SERIES A

Dated: Date of Delivery Due: June 1, as shown on inside cover

The County of Contra Costa Public Financing Authority Lease Revenue Bonds (Various Capital Projects), 2003 Series A (the "2003 Series A Bonds") are being issued to: (i) finance or refinance the construction, acquisition and installation of various capital projects, and prepay a privately placed lease that financed an adolescent resident treatment facility; (ii) fund a reserve surety and capitalized interest, and (iii) pay certain costs associated with the issuance of the 2003 Series A Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

Interest on the 2003 Series A Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2003. The 2003 Series A Bonds will be initially delivered in book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Principal of, redemption premium, if any, and interest on the 2003 Series A Bonds will be paid by BNY Western Trust Company, as Trustee, to DTC. DTC is obligated to remit such principal and interest to its DTC Participants for disbursement to the beneficial owners of the 2003 Series A Bonds. See APPENDIX G—"DTC AND THE BOOK-ENTRY ONLY SYSTEM." The 2003 Series A Bonds are subject to optional, extraordinary and mandatory redemption as described herein.

Payment of the principal of and interest on the 2003 Series A Bonds, when due, will be insured by a bond insurance policy to be issued concurrently with the delivery of the 2003 Series A Bonds by MBIA Insurance Corporation.

MBIA

The 2003 Series A Bonds are being issued pursuant to a Trust Agreement, dated as of February 1, 1999, as previously supplemented, and as further supplemented by the Fifth Supplemental Trust Agreement dated as of July 1, 2003, between the County of Contra Costa Public Financing Authority (the "Authority") and the Trustee.

The 2003 Series A Bonds are limited obligations of the Authority payable solely from certain revenues of the Authority, consisting primarily of Base Rental Payments (as defined herein) to be made by the County to the Authority pursuant to a Facility Lease (Various Capital Projects), dated as of February 1, 1999, as previously amended, and as further amended by the Fifth Amendment to Facility Lease dated as of July 1, 2003, (the "Facility Lease"), between the Authority and the County. Pursuant to the Facility Lease, the County will lease the Facilities (defined herein) from the Authority. The County has covenanted in the Facility Lease to take such action as may be necessary to include Base Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. The County has agreed in the Facility Lease to make all Base Rental Payments, subject to abatement in the event of damage to or destruction or condemnation of all or a portion of the Facilities which results in substantial interference with the County's use and occupancy of the Facilities, except as otherwise described herein.

THE 2003 SERIES A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR THE COUNTY OR ANY OF THEIR INCOME OR RECEIPTS, EXCEPT THE REVENUES (AS DESCRIBED HEREIN). NEITHER THE FULL FAITH NOR THE CREDIT OF THE AUTHORITY OR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE 2003 SERIES A BONDS. NEITHER THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2003 SERIES A BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS UNDER THE FACILITY LEASE CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR THE COUNTY FOR WHICH EITHER ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH EITHER ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

MATURITY SCHEDULE, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES/YIELDS AND CUSIP NUMBERS (See inside cover)

This cover page contains certain information for general reference only. It is *not* intended to be a summary of security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2003 Series A Bonds are offered when, as and if issued, subject to approval of validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. Certain other legal matters will be passed upon for the County and the Authority by County Counsel, and by Lofton & Jennings, San Francisco, California, Disclosure Counsel. Tamalpais Advisors, Inc. is Financial Advisor to the Authority in connection with the issuance of the 2003 Series A Bonds. It is anticipated that the 2003 Series A Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about August 14, 2003.

Dated: July 30, 2003

MATURITY SCHEDULE

\$18,500,000

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	CUSIP No. (21226P)†	Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	CUSIP No. (21226P)†
2004	\$755,000	2.00%	1.00%	GJ1	2017	\$795,000	4.50%	4.50%	GA0
2005	1,155,000	2.00	1.40	FN3	2018	465,000	4.70	4.70	GB8
2006	1,190,000	2.00	1.90	FP8	2019	365,000	4.80	4.80	GC6
2007	1,210,000	2.35	2.35	FQ6	2020	390,000	4.90	4.90	GD4
2008	1,240,000	2.65	2.65	FR4	2021	400,000	4.90	4.90	GE2
2009	915,000	3.00	3.00	FS2	2022	420,000	5.00	5.00	GF9
2010	935,000	3.25	3.25	FT0	2023	445,000	5.00	5.00	GG7
2011	975,000	3.50	3.50	FU7	2024	465,000	5.00	5.00	GK8
2012	1,000,000	3.75	3.75	FV5	2025	495,000	5.00	5.00	GL6
2013	1,040,000	4.00	4.00	FW3	2026	515,000	5.00	5.00	GM4
2014	710,000	4.00	4.00	FX1	2027	540,000	5.00	5.00	GN2
2015	745,000	4.20	4.20	FY9	2028	565,000	5.00	5.00	GH5
2016	770,000	4.30	4.30	FZ6					

[†] CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the County assumes any responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the County or the Authority to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation 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 any offer to buy nor shall there be any sale of the 2003 Series A 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 2003 Series A 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 facts.

The information set forth herein has been obtained from the County or the Authority and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the 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 County or the Authority since the date hereof. This Official Statement is submitted in connection with the sale of the 2003 Series A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Trust Agreement and the Facility Lease. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more nationally recognized municipal securities information repositories.

Certain statements in this Official Statement, which may be identified by the use of such terms as plan, project, expect, estimate, budget or other similar words, constitute forward-looking statements. Such forward-looking statements include, but are not limited to, statements contained in APPENDIX B—"COUNTY FINANCIAL INFORMATION." Such forward-looking statements refer to the achievement of certain results or other expectations or performance which involved known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The County does not plan to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

The 2003 Series A Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The registration or qualification of the 2003 Series A Bonds in accordance with applicable provisions of Securities Laws of the states in which these Bonds have been registered or qualified, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the securities or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the 2003 Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

COUNTY OF CONTRA COSTA PUBLIC FINANCING AUTHORITY

Mark DeSaulnier *Chair*

Federal Glover *Vice-Chair*

John Sweeten

Executive Director and Secretary

Kenneth J. Corcoran *Treasurer*

COUNTY OF CONTRA COSTA, CALIFORNIA BOARD OF SUPERVISORS OF THE COUNTY

Mark DeSaulnier (District IV) Chair

John Gioia (*District I*)

Gayle B. Uilkema (District II)

Millie Greenberg (District III)

Federal Glover (District V)

COUNTY OFFICIALS

John Sweeten
Clerk of the Board and County Administrator

Laura W. Lockwood

Director, Capital Facilities and Debt Management

Kenneth J. Corcoran Auditor-Controller William J. Pollacek
Treasurer-Tax Collector

Silvano Marchesi County Counsel Gus Kramer Assessor Stephen L. Weir County Clerk-Recorder

SPECIAL SERVICES

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

> Tamalpais Advisors, Inc. Sausalito, California Financial Advisor

Lofton & Jennings San Francisco, California Disclosure Counsel

BNY Western Trust Company San Francisco, California *Trustee*

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[†] Includes all material in the County's Comprehensive Annual Financial Report from the Table of Contents through Note 20 of the Notes to the Basic Financial Statements. The Comprehensive Annual Financial Report in its entirety may be viewed online or downloaded at http://www.co.contra-costa.ca.us.

OFFICIAL STATEMENT

\$18,500,000 COUNTY OF CONTRA COSTA PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS (VARIOUS CAPITAL PROJECTS), 2003 SERIES A

INTRODUCTION

This Official Statement (which includes the cover page and Appendices hereto) (the "Official Statement") provides certain information concerning the issuance of County of Contra Costa Public Financing Authority Lease Revenue Bonds (Various Capital Projects), 2003 Series A (the "2003 Series A Bonds"), in an aggregate principal amount of \$18,500,000 by the County of Contra Costa Public Financing Authority (the "Authority"). The 2003 Series A Bonds are limited obligations of the Authority payable solely from Revenues (as hereinafter defined), consisting primarily of certain base rental payments (the "Base Rental Payments") to be made by the County of Contra Costa (the "County"), as rent for the Facilities (as defined herein). The County leases the Facilities, other than those owned by the Authority, to the Authority pursuant to a Master Site Lease, dated as of February 1, 1999, as previously amended, and as further amended by the Fifth Amendment to Master Site Lease dated as of July 1, 2003 (collectively, the "Site Lease"). The Facilities are then leased by the Authority to the County pursuant to a Facility Lease (Various Capital Projects), dated as of February 1, 1999, as previously amended, and as further amended by the Fifth Amendment to Facility Lease dated as of July 1, 2003 (collectively, the "Facility Lease"), between the County, as lessee, and the Authority, as lessor. All real property leased by the County from the Authority under the Facility Lease in connection with the Facilities is herein referred to as the "Demised Premises."

The proceeds of the 2003 Series A Bonds will be applied to: finance or refinance the construction, acquisition and installation of various capital projects, and prepay a privately placed lease that financed the acquisition, rehabilitation and construction of an adolescent residential treatment facility (collectively, the "2003 Series A Project"); (ii) fund a reserve surety; and (iii) pay certain costs associated with the issuance of the 2003 Series A Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

The 2003 Series A Bonds will be issued pursuant to the Constitution and the laws of the State of California (the "State"), resolutions adopted by the Authority and the County on July 8, 2003 and a Trust Agreement, dated as of February 1, 1999, as previously supplemented, and as further supplemented by the Fifth Supplemental Trust Agreement dated as of July 1, 2003 (collectively, the "Trust Agreement"), between the Authority and BNY Western Trust Company, as successor trustee (the "Trustee"). Pursuant to the Trust Agreement, the Authority pledges to the Trustee, for the benefit of the Bondholders (as hereinafter defined), all of the Revenues, defined as the Base Rental Payments made by the County to the Authority under the Facility Lease, interest or other income from any investment of amounts held in any fund or account established pursuant to the Trust Agreement or the Facility Lease (other than the Rebate Fund), and Swap Revenues.

The Authority has previously issued five series of lease revenue bonds pursuant to the Trust Agreement, the "1999 Series A Bonds," the "2001 Series A Bonds," the "2001 Series B Bonds," the "2002 Series A Bonds" and the "2002 Series B Bonds" and collectively, the "Outstanding Parity Bonds," which are payable on a parity with the 2003 Series A Bonds. See "DEBT SERVICE SCHEDULE" for the outstanding debt service on the Outstanding Parity Bonds and the 2003 Series A Bonds. The Outstanding Parity Bonds are described as follows:

Series	Original Aggregate Principal	Remaining Aggregate Principal (as of July 1, 2003)
1999 Series A Bonds	\$74,685,000	\$62,890,000
2001 Series A Bonds	18,030,000	17,145,000
2001 Series B Bonds	23,775,000	23,250,000
2002 Series A Bonds	12,650,000	12,495,000
2002 Series B Bonds	<u>25,870,000</u>	23,395,000
TOTAL	\$155,010,000	\$139,175,000

The Authority may in the future issue additional bonds under the Trust Agreement ("Additional Bonds") secured on a parity with the Outstanding Parity Bonds and the 2003 Series A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds." The Outstanding Parity Bonds and the 2003 Series A Bonds, together with any Additional Bonds issued pursuant to the Trust Agreement, are herein referred to as the "Bonds."

The County has covenanted under the Facility Lease that so long as the Facilities are available for the County's use and occupancy, it will take such action as may be necessary to include all Base Rental Payments and Additional Payments (as defined below) in its annual budgets and to make the necessary annual appropriations therefor. The County has timely made to date all Base Rental Payments and Additional Payments required under the Facility Lease for the Facilities. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Base Rental Payments are subject to complete or partial abatement in the event of substantial interference with the use and occupancy by the County of the Facilities caused by damage to or destruction or condemnation of the Facilities. See "CERTAIN RISK FACTORS" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge of Revenues." Abatement of Base Rental Payments under the Facility Lease could result in 2003 Series A Bondholders receiving less than the full amount of principal and interest on the 2003 Series A Bonds, except to the extent proceeds of insurance or moneys in the Reserve Fund (as described herein) are available to make payments of principal of or interest on the 2003 Series A Bonds (or the relevant portion thereof) during periods of abatement of Base Rental.

As additional security for the 2003 Series A Bonds, payment of the principal of and interest on the 2003 Series A Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation (the "Bond Insurer") simultaneously with the delivery of the 2003 Series A Bonds. See "The Municipal Bond Insurance Policy" and Appendix H–"Specimen Municipal Bond Insurance Policy." In addition, a reserve fund (the "Reserve Fund") is available to pay the Outstanding Parity Bonds, the 2003 Series A Bonds and any Additional Bonds. See "Security and Sources of Payment for the Bonds–Reserve Fund."

For a discussion of certain risk factors associated with investment in the Bonds, see "CERTAIN RISK FACTORS." Summaries of certain provisions of the principal legal documents relating to the 2003 Series A Bonds are contained in APPENDIX D hereto. The summaries and descriptions in this Official Statement of the Trust Agreement, the Facility Lease, the Site Lease, the Continuing Disclosure Agreement, and other agreements relating to the 2003 Series A Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the 2003 Series A Bonds are qualified in their entirety by the form thereof and the information with respect thereto included in such documents. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Trust Agreement and the Facility Lease. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Certain Definitions."

PLAN OF FINANCE

A portion of the proceeds of the 2003 A Series Bonds will be used to finance and refinance various capital projects of the County described below, and for the Authority to prepay a privately placed lease described below (collectively, the "2003 Series A Project") and to fund capitalized interest allocable to portions of the 2003 Series A Project.

The County presently anticipates that the capital projects described below will constitute the 2003 Series A Project, although the County may amend the 2003 Series A Project from time to time by filing a notice of change with the Trustee. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Trust Agreement—The 2003 Series A Bonds."

- The County will use proceeds of the 2003 Series A Bonds in the approximate amount of \$1.9 million to construct an approximately 5,500 square foot, one-story building to be located at 790 San Pablo Avenue in the City of Pinole (the "Animal Shelter"). This facility will provide a range of animal services in Western Contra Costa County, including pet adoption, lost pet recovery and licensing services.
- The County will use proceeds of the 2003 Series A Bonds in the approximate amount of \$3.5 million to construct and equip a three-story, approximately 8,800 square foot, 40-bed adult residential substance abuse treatment facility. This facility, to be known as the "Discovery House," is located at 4645 Pacheco Boulevard in the unincorporated area of the County in Pacheco, California, near the City of Martinez.
- The County will use proceeds of the 2003 Series A Bonds in the approximate amount of \$4.7 million to acquire and install emergency communications equipment at multiple sites within the County, which equipment is designed to improve capacity, coverage and clarity of emergency communications.
- The County will use proceeds of the 2003 Series A Bonds in the approximate amount of \$2.65 million to exercise a purchase option for an approximately 15,000 square foot, two-story general services administration building located at 1220 Morello Avenue in the City of Martinez (the "GSA Building").
- The County will use proceeds of the 2003 Series A Bonds in the approximate amount of \$1.2 million to acquire an approximately 5,000 square foot, one-story modular building located at 929 Second Street in the City of Brentwood. This building is located on the campus of an adult school and will house a one-stop career employment services program (the "Employment Center").
- In addition to the capital projects described above, the Authority will use proceeds of the 2003 Series A Bonds in the amount of \$3,609,747.64 to prepay the outstanding principal balance, premium and accrued interest thereon, on a privately placed lease that financed the construction and rehabilitation of two one-story buildings comprising approximately 10,600 aggregate square feet, for an adolescent residential treatment facility and a seventh through twelfth grade school for the residents (the "Adolescent Residential Treatment Facility"). The County will assign its option to purchase the privately placed lease to the Authority. The Adolescent Residential Treatment Facility is located at 1034 Oak Grove Road in the City of Concord and is operated pursuant to a sublease between the County and a 501(c)(3) corporation.

The remaining proceeds of the 2003 Series A Bonds will be used to pay costs of issuance of the 2003 Series A Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

THE FACILITIES

With the exception of the Adolescent Residential Treatment Facility, the title to which will be held by the Authority, the County leases the Facilities to the Authority pursuant to the Site Lease, and the Authority leases back the Facilities to the County pursuant to the Facility Lease. The County is committed to the use of the Facilities for County and public purposes.

Pursuant to the Facility Lease, the County and the Authority may substitute other properties for the Facilities or portions thereof upon the satisfaction of certain conditions. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Substitution of Property."

The Facilities consist of a number of County properties and the sites thereof. The Facilities include site development, landscaping, utilities, equipment, furnishings, improvements and appurtenant and related facilities located on the Demised Premises. The first three facilities listed on the table on the next page comprise the 2003 Series A Facilities.

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Facility	Address	Original Completion Date	Approx. Acreage of Site	Approx. Building Square Footage	Term of Facility Lease	Value (\$millions)
Family Law Center†	751 Pine Street Martinez, CA	2003	0.8	40,000	2028	\$12.80 ⁽¹⁾
West County Animal Shelter†	900 San Pablo Avenue, Pinole, CA	2003	0.4	5,500	2028	$2.50^{(1)}$
Adolescent Residential Treatment Facility †	1034 Oak Grove Road Concord, CA	2002	1.0	10,600	2028	3.60(4)
		Sub	TOTAL - 200	3 Series A Fa	ACILITIES:	\$18.90
Bray Courthouse	1020 Ward Street Martinez, CA	1988	0.6	48,900	2016	\$10.35 ⁽⁴⁾
Contra Costa Regional Medical Center Laboratory	2500 Alhambra Dr. Martinez, CA	2002	0.6	24,600	2027	8.78 ⁽¹⁾
Data Processing Building	30 Douglas Drive Martinez, CA	1986	1.6	35,300	2019	4.90 ⁽¹⁾
East County Social Services Building	4545 Delta Fair Blvd. Antioch, CA	1988	4.9	52,700	2008	5.00 ⁽⁴⁾
Employment and Human Services Building	1650 Cavallo Road Antioch, CA	2002 ⁽⁵⁾	2.0	24,500	2027	6.40 ⁽³⁾
Forensic Science Center	1960 Muir Road Martinez, CA	1986	0.8	20,000	2019	$4.40^{(2)}$
Four Buildings at Central Contra Costa County Public Works Yard	2475, 2479 and 2483 Waterbird Way and 4785 Blum Road Martinez, CA	1986	7.0	21,000	2019	6.00 ⁽¹⁾
Health Services Building	595 Center Street Martinez, CA	1986	1.7	45,000	2019	$4.80^{(1)}$
Public Defender's Building	3811 Bissell Avenue Richmond, CA	2002 ⁽⁵⁾	0.3	6,200	2027	1.82 ⁽³⁾
Public Works Department Administration	255 Glacier Drive Martinez, California	1986	1.3	31,200	2019	2.42 ⁽¹⁾
Solar Electric Panels	Martinez Detention Facility and 50 Douglas Drive Martinez, CA	2002			2017	2.18 ⁽³⁾
Summit Centre	2530 Arnold Dr. Martinez, CA	1988	20.8	113,000	2026	$25.80^{(6)}$
West County Detention Facility	5555 Giant Highway Richmond, CA	1991	47.4	243,300	2028	63.00(4)
	,		T	otal - all Fa	CILITIES:	\$164.75

Comprises a component of the 2003 Series A Facilities.

Source: County Administrator's Office.

⁽¹⁾ Based upon the construction cost of such project.

Based upon acquisition cost.

Based upon independent appraisals completed in December 1998.

Based upon acquisition cost and, where applicable, improvements to the building.

Estimated date for completion of remodeling. The original construction completion dates for these facilities were 1988 for the Employment and Human Services Building and 1975 for the Public Defender's Building.

Based upon (i) an outside appraisal conducted in September 2000 that valued the property at \$18.0 million, (ii) a purchase price of \$2.3 million for an adjacent 13.4 acres (which were purchased on February 18, 2000), and (iii) the value of tenant improvements totaling \$5.5 million.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the issuance of the 2003 Series A Bonds.

SOURCES:

Principal Amount of 2003 Series A Bonds	\$ <u>18,500,000.00</u>
TOTAL SOURCES	\$18,500,000.00
USES:	
Deposit to 2003 Series A Project Fund	\$17,559,747.64
Capitalized Interest ⁽¹⁾	
Deposit to 2003 Series A Costs of Issuance Fund ⁽²⁾	358,894.94
Net Underwriter's Discount ⁽³⁾	185,000.00
TOTAL USES	\$18,500,000.00

⁽¹⁾ Represents capitalized interest on a portion of the 2003 Series A Bonds allocable to the Animal Shelter for six months, to the Discovery House for 12 months, to the GSA Building for five months and to the Employment Center for 12 months beyond the anticipated completion of each such facility. See "PLAN OF FINANCE."

THE 2003 SERIES A BONDS

General Provisions

The 2003 Series A Bonds are limited obligations of the Authority payable solely from Revenues, consisting primarily of Base Rental Payments to be made by the County under the Facility Lease.

The 2003 Series A Bonds will be prepared in the form of fully registered bonds and, when delivered, 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 of the 2003 Series A Bonds. Ownership interests in the 2003 Series A Bonds may be purchased in book-entry form only, in the denominations hereinafter set forth. See APPENDIX G—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Ownership interests in 2003 Series A Bonds will be in \$5,000 denominations or any integral multiple thereof. Interest on the 2003 Series A Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months and is payable on June 1 and December 1 (each an "Interest Payment Date") of each year, commencing December 1, 2003. The 2003 Series A Bonds will be dated and bear interest from their date of issuance. The 2003 Series A Bonds will mature on the dates (each a "Maturity Date") and in the principal amounts, and the interest payable thereon will be computed at the rates, all as set forth on the inside cover page of this Official Statement.

Redemption Provisions

Optional Redemption. The 2003 Series A Bonds maturing on or prior to June 1, 2011 are not subject to optional redemption. The 2003 Series A Bonds maturing on or after June 1, 2012 are subject to optional redemption prior to their respective stated maturities, at the written direction of the Authority, from any moneys deposited by the Authority or the County, as a whole or in part on any date (in such maturities as are designated in writing by the Authority to the Trustee) on or after June 1, 2011 at the

⁽²⁾ Includes legal and professional fees, municipal bond insurance policy and reserve policy premiums, printing costs and other miscellaneous costs of issuance.

⁽³⁾ The Underwriter will receive additional compensation in the form of original issue premium in the amount of \$21,428.05. See "UNDERWRITING."

following prices (expressed as a percentage of the principal amount of the 2003 Series A Bonds called for redemption), plus accrued interest thereon to the date fixed for redemption:

Redemption Period (dates inclusive)	Redemption Price
June 1, 2011 through May 31, 2012	101.0%
June 1, 2012 through May 31, 2013	100.5
June 1, 2013 and thereafter	100.0

Extraordinary Redemption. The 2003 Series A 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 2003 Series A Bonds in Authorized Denominations, from prepayments of Base Rental Payments made by the County from the net proceeds received by the County due to the taking of the Facilities or portions thereof under the power of eminent domain, or from the net proceeds of title insurance or insurance received for damage to or destruction of the Facilities or portions thereof, under the circumstances described in the Trust Agreement and the Facility Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Insurance." The redemption price will be equal to the principal amount of the 2003 Series A Bonds to be redeemed and accrued interest thereon to the date of redemption, without premium. Whenever less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee will select, in accordance with written instructions from the Authority, the Bonds to be redeemed so that the aggregate annual amounts of principal 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 amounts of principal of and interest on the Bonds outstanding prior to such redemption date.

Notice of Redemption

Notice of redemption is to be mailed, first class postage prepaid, to the respective Owners of any 2003 Series A Bonds designated for redemption at their addresses appearing on the registration books required to be kept by the Trustee not less than 30 nor more than 60 days prior to the redemption date. Each notice of redemption will state the date of such notice, the date of issue of the Bonds, the Series, the redemption date, the redemption place, the redemption price, and the CUSIP number of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the 2003 Series A Bonds to be redeemed, and in the case of each 2003 Series A Bond called for redemption in part, state the amount which is to be redeemed. Each such notice will also state that from and after the redemption date, interest on the 2003 Series A Bonds to be redeemed will cease to accrue. Failure to receive such notice will not invalidate any of the proceedings taken in connection with such redemption.

Selection of 2003 Series A Bonds for Optional Redemption

The Authority will designate which maturities of Bonds are to be redeemed. Whenever less than all the Outstanding 2003 Series A Bonds maturing on any one date are to be redeemed, the Trustee will select the 2003 Series A Bonds of such maturity date to be redeemed from the Outstanding 2003 Series A Bonds payable on such maturity date by lot. For purposes of such selection, 2003 Series A Bonds will be deemed to be composed of \$5,000 portions, and any such portion may be separately redeemed. In the event 2003 Series A Bonds subject to sinking fund redemption are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption.

Effect of Redemption

If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the 2003 Series A Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice 2003 Series A Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such 2003 Series A Bonds will cease to accrue, and the Owners of such 2003 Series A Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are secured by the Revenues, which consist primarily of Base Rental Payments to be made by the County under the Facility Lease. Pursuant to the Facility Lease, the Authority leases the Facilities to the County. As rental for the use and occupancy of the Facilities, the County covenants to pay Base Rental Payments to the Authority, which payments are pledged to the Trustee for the benefit of the Owners of the Bonds. The Base Rental Payments, which are subject to abatement are calculated to be sufficient to pay principal of and interest on the Bonds when due.

The County has covenanted in the Facility Lease to include all Base Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. By the 15th day of the month immediately preceding each Interest Payment Date, the County must pay to the Trustee Base Rental Payments (to the extent required under the Facility Lease) which will be sufficient to pay, when due, the scheduled principal of and interest on the Bonds. Base Rental Payments are not subject to acceleration. To date, the County has timely made all Base Rental Payments and Additional Payments due under the Facility Lease for the use and occupancy of the Facilities.

Under the Facility Lease, the County agrees to pay Additional Payments for the payment of all expenses and all costs of the Authority and the Trustee related to the lease of the Facilities, including expenses of the Trustee payable by the Authority under the Trust Agreement, and fees of accountants, attorneys and consultants. The County is responsible for repair and maintenance of the Facilities during the term of the Facility Lease.

The Base Rental Payments will be abated proportionately during any period in which by reason of any damage to or destruction of the Facilities, there is substantial interference with the use and occupancy of the Facilities by the County, in the proportion in which the cost of that portion of the Facilities rendered unusable bears to the cost of the whole of the Facilities. During any such period of abatement, except to the extent that amounts held by the Trustee in the Revenue Fund or the Reserve Fund are otherwise available to pay the Bonds, Revenues will not be available to pay the Bonds. 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 will continue in full force and effect and the County waives any right to terminate the Facility Lease by virtue of any such damage or destruction.

If the whole of the Facilities, including the Demised Premises, or so much therefor as to render the remainder unusable, is taken under power of eminent domain, the term of the Facility Lease will cease as of the day possession is so taken. If less than the whole of the Facilities is taken by eminent domain, 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 of and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds.

Should the County default under the Facility Lease, the Authority may (i) terminate the Facility Lease and take possession of the Facilities or (ii) retain the Facility Lease and seek to hold the County liable for all Base Rental Payments and Additional Payments thereunder (without acceleration) as they become due on an annual basis. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Facility Lease—Default and Remedies." Base Rental Payments and Additional Payments may not be accelerated. See "CERTAIN RISK FACTORS."

As additional security for the 2003 Series A Bonds, payment of the principal of and interest, when due, on the 2003 Series A Bonds will be insured by a municipal bond insurance policy to be issued by MBIA simultaneously with the delivery of the 2003 Series A Bonds. See "MUNICIPAL BOND INSURANCE POLICY."

Pledge of Revenues

The Revenues consist primarily of the Base Rental Payments made by the County to the Authority. In accordance with the Trust Agreement, all Revenues are irrevocably pledged to and will be used for the punctual payment of interest and premium, if any, on and principal of the Bonds and Reserve Facility Costs, if any, and the sums due and payable by the Authority in connection with any Swaps, if any, and will not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues may be applied such sums as are permitted under the Trust Agreement. This pledge constitutes a first lien on the Revenues in accordance with the terms of the Trust Agreement.

The Authority has directed that all Base Rental Payments be paid directly to the Trustee to be held in trust by the Trustee in the Revenue Fund for the benefit of the Bondholders. The County has covenanted under the Facility Lease that as long as the Facilities are available for the County's use and occupancy, it will take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its annual budgets and to make the necessary annual appropriations therefor. The County has timely made to date all Base Rental Payments and Additional Payments due under the Facility Lease for the Bonds.

Base Rental Payments

Base Rental Payments are calculated on an annual basis for twelve-month periods commencing on June 1 and ending on May 31, and each annual Base Rental Payment is divided into two interest components, due on June 1 and December 1, and one principal component, due on June 1, except that the first Base Rental Payment period commenced on the original date of recordation of the Facility Lease (March 4, 1999) and ended on May 31, 1999. Each Base Rental Payment with respect to the 2003 Series A Bonds will be payable on the 15th day of the month immediately preceding its due date. Each annual Base Rental Payment (to be payable in installments as aforesaid) will be for the use of the Facilities for the twelve-month period commencing on June 1 of the period in which such installments are payable (except the first Base Rental period which commenced on the date of recording of the Facility Lease).

The Trust Agreement requires that Base Rental Payments be deposited in the Revenue Fund maintained by the Trustee. In accordance with the Trust Agreement, the Trustee will transfer such amounts as are necessary to the Interest Account or the Principal Account, as the case may be, to pay principal of and interest on the Bonds as the same become due and payable. On each Principal Payment Date, following the payment of principal of and interest on the Bonds, any excess amount in the Revenue Fund will be transferred to the Reserve Fund, as necessary, and thereafter returned to the County. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Trust Agreement—Creation of Funds and Accounts."

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS IS AN OBLIGATION PAYABLE FROM AMOUNTS IN THE GENERAL FUND OF THE COUNTY, AND DOES NOT CONSTITUTE A DEBT OF THE COUNTY, THE AUTHORITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION OR AN OBLIGATION FOR WHICH THE COUNTY MUST LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION.

Reserve Fund

The Trust Agreement requires the Reserve Fund (which secures all of the Bonds) to be funded in an amount equal to the Reserve Fund Requirement, which will be equal to \$12,427,546.03 upon the delivery of the 2003 Series A Bonds, with cash, permitted investments, a surety bond, an insurance policy, or a letter of credit, or any combination thereof, as further described in the Trust Agreement. A reserve facility in the amount of \$1,274,689.51 (the "2003 Series A Reserve Facility") in the form of a surety bond will be issued by MBIA Insurance Corporation (the "Bond Insurer") and deposited in the Reserve Fund. See "RESERVE FACILITY-2003 Series A Reserve Facility."

The portion of the Reserve Fund Requirement determined by reference to the 1999 Series A Bonds, the 2001 Series A Bonds, the 2001 Series B Bonds and the 2002 Series A Bonds was satisfied through the issuance of surety bonds (the "Prior Reserve Facility" and together with the 2003 Series A Reserve Facility, the "Reserve Facility") by the Bond Insurer.

The 2003 Series A Reserve Facility, the 2002 Series B Reserve Investment (defined herein), as well as the Prior Reserve Facility, will be available to pay the Outstanding Parity Bonds, the 2003 Series A Bonds and any parity Bonds. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Trust Agreement—Creation of Funds and Accounts—Reserve Fund." Moneys in the Reserve Fund will be applied solely for the purpose of funding the Interest Account or the Principal Account, in that order, in the event of any deficiency in either account on an Interest Payment Date or a Principal Payment Date; provided that, so long as the Authority is not in default under the Trust Agreement, certain excess amounts in the Reserve Fund will be transferred to the Revenue Fund.

The Trust Agreement requires that, as a condition to the issuance of Additional Bonds, an amount will be deposited in the Reserve Fund so that following such deposit there will be on deposit in the Reserve Fund an amount at least equal to the Reserve Fund Requirement for all Outstanding Bonds.

For the definition of the term "Reserve Fund Requirement," see APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Certain Definitions."

Bond Insurance

As additional security for the 2003 Series A Bonds, payment of the principal of and interest on the 2003 Series A Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation (the "Bond Insurer") simultaneously with the delivery of the 2003 Series A Bonds. See "THE MUNICIPAL BOND INSURANCE POLICY."

The Bond Insurer also provided a municipal bond insurance policy for a portion of the 1999 Series A Bonds and for all of the 2001 Series A Bonds, the 2001 Series B Bonds, the 2002 Series A Bonds and the 2002 Series B Bonds.

Substitution of Property

The County and the Authority, with the written consent of the Bond Insurer, may substitute other real property as part of the Facilities for purposes of the Facility Lease provided the County has 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, including the legal description of the Demised Premises as modified, if necessary.
- (b) A Certificate of the County with copies of the Facility Lease or the Site Lease as applicable, or amendments thereto containing the amended description of the Facilities 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, together with an appraisal performed by an independent appraiser, evidencing that the annual fair rental value of the Facilities which will constitute the Facilities after such substitution will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current year ending May 31 or in any subsequent year ending May 31.
- (d) A Certificate of the County stating that, based upon review of such instruments, certificates or any other matters described in such Certificate of the County, the County has good merchantable title to the Facilities, which will constitute the Facilities after such substitution. The term "good merchantable title" shall mean such title as is satisfactory and sufficient 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.
- (f) An Opinion of Bond Counsel stating that such amendment or modification (i) is authorized or permitted by the Constitution and laws of the State and by the Trust Agreement; (ii) complies with the terms of the Constitution and laws of the State and of the Trust Agreement; (iii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the County; and (iv) will not cause the interest on the Bonds to be included in gross income for federal income tax purposes.

There is no requirement that any substitute Facilities be of the same or a similar nature or function as the then existing Facilities. The Bond Insurer may require additional conditions to the substitution of Facilities.

Insurance

The Facility Lease requires the County to maintain or cause to be maintained, throughout the term of the Facility Lease, insurance against loss or damage to any structures constituting any part of the Facilities by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, and earthquake insurance, if available on the open market from reputable insurance companies at a reasonable cost as determined by the County. Such extended coverage insurance 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 will 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 deductible clauses for any one loss of not to exceed \$250,000 or comparable amount adjusted for inflation or more in the case of earthquake

insurance), or in the alternative, will 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.

In the event of any damage to or destruction of any part of the Facilities caused by the perils covered by such insurance, the Authority, except as hereinafter described, will cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, to at least the same condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee will hold such proceeds in the Insurance and Condemnation Fund and will permit withdrawals upon written request for such purposes. Any balance of said proceeds not required for such repair, reconstruction or replacement will be treated by the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, if the proceeds of such insurance together with any other moneys then available for such purpose are at least sufficient to redeem an aggregate principal amount of Outstanding Bonds equal to the amount of Base Rental attributable to the portion of the Facilities so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Facilities bears to the cost of the Facilities), the Authority, with the written consent of the County, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon will cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of the Trust Agreement.

The Authority and the County covenant to promptly apply for federal or State disaster aid in the event that the Facilities are damaged or destroyed as a result of an earthquake occurring at any time. Any proceeds received as a result of such disaster aid will be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Facilities, or, at the option of the County and the Authority, to redeem Outstanding Bonds if such use of such disaster aid is permitted.

As an alternative to providing the fire and extended coverage insurance, or any portion thereof, required by the Facility Lease, the County may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection will afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the County. So long as such method or plan is being provided to satisfy the requirements of the Facility Lease, there will be filed with the Trustee a statement of an actuary, insurance consultant or other qualified person (which may be the Risk Manager of the County), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facility Lease and, when effective, would afford reasonable coverage for the risks required to be insured against. There will also be filed a certificate of the County setting forth the details of such substitute method or plan. In the event of loss covered by any such self-insurance method, the liability of the County under the Facility Lease will be limited to the amounts in the self-insurance reserve fund or funds created under such method.

The Facility Lease requires the County to maintain or cause to be maintained, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Facilities as the result of any of the hazards covered by the fire and extended coverage insurance required by the Facility Lease described in the preceding paragraphs (provided that earthquake insurance will be required only if it is available on the open market from reputable insurance companies at a reasonable cost, as determined by the County), in an amount sufficient to pay the part of the total rent attributable to the portion of the Facilities rendered unusable (determined by reference to the proportion which the cost of such portion bears to the cost of the Facilities) for a period of at least two years, except that such insurance may be subject to a deductible clause of not to exceed \$250,000 (or comparable amount adjusted for inflation or more in the case of earthquake coverage). Any proceeds of such insurance will be used by the Trustee to reimburse to the County any rental theretofore paid by the County under the Facility Lease attributable to such structure for a period of time during which the payment of rental under

the Facility Lease is abated, and any proceeds of such insurance not so used will be applied to pay Base Rental Payments and Additional Payments.

The County also agrees to deliver to the Authority title insurance on the Demised Premises, subject only to Permitted Encumbrances, in an amount equal to the aggregate principal amount of the Bonds.

The County is required under the Facility Lease to purchase commercial insurance to cover damage due to earthquake if it is available on the open market from reputable insurance companies at a reasonable cost, as determined by the County. The County has purchased an earthquake insurance policy for all of its property, including the Facilities, through the California State Association of Counties Excess Insurance Authority ("CSAC-EIA"). The County's current earthquake insurance coverage expires on March 31, 2005 and has a policy limit of \$265 million with a 5% per unit deductible. The County is in the "Zone A" designation, which has the highest potential for an earthquake among all zone designations. No assurance is given that the County will continue to maintain earthquake insurance in the future. See "CERTAIN RISK FACTORS–Risk of Earthquake and Other Natural Disasters" and APPENDIX B—"COUNTY FINANCIAL INFORMATION–Insurance and Self-Insurance Programs."

The County is also required to obtain certain liability insurance coverage in protection of the Authority and the Trustee.

Additional Bonds

Additional Bonds may, with the consent of the Bond Insurer (who also must consent as insurer of a portion of the 1999 Series A Bonds and all of the 2001 Series A Bonds, the 2001 Series B Bonds, the 2002 Series A Bonds and the 2002 Series B Bonds), be issued on a parity with the Outstanding Parity Bonds and the 2003 Series A Bonds upon the terms and subject to the conditions set forth in the Trust Agreement. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Trust Agreement—Additional Bonds."

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DEBT SERVICE SCHEDULE

The following table shows the debt service schedule relating to the Outstanding Parity Bonds and the 2003 Series A Bonds.

	Outstanding		2003 Series A Bonds		Aggregate
Payment Date	Parity Bonds†	<u>Principal</u>	Interest	<u>Total</u>	Fiscal Year Total
12/01/03	\$3,166,263.76	_	\$200,110.06	\$200,110.06	_
06/01/04	9,316,263.76	\$755,000	336,633.75	1,091,633.75	\$13,774,271.32
12/01/04	3,054,857.51	_	329,083.75	329,083.75	_
06/01/05	9,434,857.51	1,155,000	329,083.75	1,484,083.75	14,302,882.51
12/01/05	2,939,131.26	_	317,533.75	317,533.75	_
06/01/06	9,569,131.26	1,190,000	317,533.75	1,507,533.75	14,333,330.01
12/01/06	2,817,953.76	_	305,633.75	305,633.75	_
06/01/07	9,697,953.76	1,210,000	305,633.75	1,515,633.75	14,337,175.01
12/01/07	2,692,020.01	_	291,416.25	291,416.25	_
06/01/08	9,862,020.01	1,240,000	291,416.25	1,531,416.25	14,376,872.51
12/01/08	2,542,656.26	_	274,986.25	274,986.25	_
06/01/09	8,827,656.26	915,000	274,986.25	1,189,986.25	12,835,285.01
12/01/09	2,409,564.38	_	261,261.25	261,261.25	_
06/01/10	7,764,564.38	935,000	261,261.25	1,196,261.25	11,631,651.26
12/0110	2,298,420.63	_	246,067.50	246,067.50	_
06/01/11	7,888,420.63	975,000	246,067.50	1,221,067.50	11,653,976.26
12/01/11	2,180,840.63	_	229,005.00	229,005.00	_
06/01/12	8,015,840.63	1,000,000	229,005.00	1,229,005.00	11,654,691.26
12/01/12	2,041,319.38	_	210,255.00	210,255.00	-
06/01/13	8,166,319.38	1,040,000	210,255.00	1,250,255.00	11,668,148.76
12/01/13	1,893,919.38	_	189,455.00	189,455.00	_
06/01/14	8,328,919.38	710,000	189,455.00	899,455.00	11,311,748.76
12/01/14	1,738,153.75	_	175,255.00	175,255.00	_
06/01/15	8,503,153.75	745,000	175,255.00	920,255.00	11,336,817.50
12/01/15	1,572,862.50	_	159,610.00	159,610.00	_
06/01/16	8,667,862.50	770,000	159,610.00	929,610.00	11,329,945.00
12/01/16	1,397,287.50	_	143,055.00	143,055.00	_
06/01/17	6,447,287.50	795,000	143,055.00	938,055.00	8,925,685.00
12/01/17	1,279,368.13	_	125,167.50	125,167.50	_
06/01/18	6,419,368.13	465,000	125,167.50	590,167.50	8,414,071.25
12/01/18	1,157,725.63	_	114,240.00	114,240.00	
06/01/19	6,577,725.63	365,000	114,240.00	479,240.00	8,328,931.25
12/01/19	1,026,258.75	_	105,480.00	105,480.00	
06/01/20	5,181,258.75	390,000	105,480.00	495,480.00	6,808,477.50
12/01/20	922,694.38	-	95,925.00	95,925.00	
06/01/21	5,287,694.38	400,000	95,925.00	495,925.00	6,802,238.75
12/01/21	813,888.75	-	86,125.00	86,125.00	- 005 027 50
06/01/22	5,398,888.75	420,000	86,125.00	506,125.00	6,805,027.50
12/01/22 06/01/23	698,907.50	445,000	75,625.00	75,625.00	6 900 065 00
12/01/23	5,513,907.50	445,000	75,625.00 64,500.00	520,625.00	6,809,065.00
	577,903.75	465,000	64,500.00	64,500.00	6 700 907 50
06/01/24	5,627,903.75	465,000	,	529,500.00	6,799,807.50
12/01/24 06/01/25	450,982.50 5,765,982.50	495,000	52,875.00 52,875.00	52,875.00 547,875.00	6 817 715 00
12/01/25	317,397.50	493,000	40,500.00	40,500.00	6,817,715.00
06/01/26	5,897,397.50	515,000	40,500.00	555,500.00	6,810,795.00
12/01/26	177,143.75	313,000	27,625.00	27,625.00	0,610,793.00
06/01/27	4,812,143.75	540,000	27,625.00	567,625.00	5,584,537.50
12/01/27	59,250.00	J -1 0,000	14,125.00	14,125.00	5,504,557.50
06/01/28	2,429,250.00	565,000	14,125.00	579,125.00	3,081,750.00
TOTAL	\$219,628,542.61	\$18,500,000	\$8,406,353.81	\$26,906,353.81	\$246,534,896.42
TOTAL	φ217,020,342.01	Ψ10,500,000	φο,που,333.01	Ψ20,700,333.01	Ψ240,334,030.42

[†] Reflects debt service on outstanding 1999 Series A Bonds, 2001 Series A Bonds, 2001 Series B Bonds, 2002 Series A Bonds and the 2002 Series B Bonds issued pursuant to the Trust Agreement.

RESERVE FACILITY

General

The Reserve Facility provides that upon notice from the Trustee to the Bond Insurer to the effect that insufficient amounts are on deposit in the Revenue Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, the Bond Insurer will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Reserve Facility, whichever is less. Upon the later of: (i) three days after receipt by the Bond Insurer of a Demand for Payment in the form attached to the Reserve Facility, duly executed by the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to the Bond Insurer, the Bond Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Reserve Facility is the initial face amount of the Reserve Facility less the amount of any previous deposits by the Bond Insurer with the Trustee which have not been reimbursed by the Authority. The Authority and the Bond Insurer have entered into Financial Guaranty Agreements at the time of issuance of each series of Bonds (collectively, the "Agreement"). Pursuant to the Agreement, the Authority is required, but only from available Revenues, to reimburse the Bond Insurer the amount of such deposit made by the Bond Insurer with the Trustee under the Reserve Facility. Such reimbursement shall be made only after all required deposits to the Principal Account and the Interest Account have been made.

Under the terms of the Agreement, the Trustee is required to reimburse the Bond Insurer, with interest, until the initial face amount of the Reserve Facility is reinstated. No optional redemption of Bonds may be made until the Bond Insurer's Reserve Facility is reinstated. The Reserve Facility is held by the Trustee in the Reserve Fund and is provided as an alternative to the Authority depositing funds or using other eligible methods to satisfy the Reserve Fund Requirement for Outstanding Bonds.

The 2003 Series A Reserve Facility, the 2002 Series B Reserve Investment (defined herein), as well as the Prior Reserve Facility, will be available to pay the Outstanding Parity Bonds, the 2003 Series A Bonds and any parity Bonds. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Trust Agreement—Creation of Funds and Accounts—Reserve Fund."

2003 Series A Reserve Facility

The 2003 Series A Reserve Facility will be issued in the amount of \$1,274,689.51 and expires on June 1, 2028. The premium for the 2003 Series A Reserve Facility will be paid by the Authority concurrently with the delivery of the 2003 Series A Bonds.

Prior Reserve Facility

The Prior Reserve Facility was issued by the Bond Insurer in the aggregate amount of \$9,567,497.04 (of which \$2,096,960.68 expires on June 1, 2027, \$6,685,736.36 expires on June 1, 2028 and \$784,800 expires on June 1, 2027). In connection with the issuance of the 2002 Series B Bonds, the Authority invested funds in the amount of \$1,585,359.48 in a guaranteed investment contract (the "2002 Series B Reserve Investment") which terminates on June 1, 2019. The premium for the Prior Reserve Facility was fully paid by the Authority at the time of delivery of each prior series of Bonds.

MUNICIPAL BOND INSURANCE POLICY

The following information has been furnished by MBIA Insurance Corporation (the "Bond Insurer") for use in this Official Statement. Reference is made to APPENDIX H for a specimen of the Municipal Bond Insurance Policy. None of the Authority, the County or the Underwriter makes any representation as to the accuracy or completeness of this information or as to the absence of material adverse changes in this information subsequent to the date hereof.

The Insurance Policy

The Bond Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 2003 Series A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Bond Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the 2003 Series A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Bond Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2003 Series A Bonds. The Bond Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of 2003 Series A Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Bond Insurer's policy also does not insure against nonpayment of principal of or interest on the 2003 Series A Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the 2003 Series A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Bond Insurer from the Trustee or any owner of a 2003 Series A Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Bond Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 2003 Series A Bonds or presentment of such other proof of ownership of the 2003 Series A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2003 Series A Bonds as are paid by the Bond Insurer, and appropriate instruments to effect the appointment of the Bond Insurer as agent for such owners of the 2003 Series A Bonds in any legal proceeding related to payment of insured amounts on the 2003 Series A Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Trustee payment of the insured amounts due on such 2003 Series A Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Bond Insurer. The Bond Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Bond Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Bond Insurer, changes in control and transactions among affiliates. Additionally, the Bond Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Bond Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and the Bond Insurer set forth under the heading "MUNICIPAL BOND INSURANCE POLICY" and contained in APPENDIX H—"SPECIMEN BOND INSURANCE POLICY." Additionally, the Bond Insurer makes no representation regarding the 2003 Series A Bonds or the advisability of investing in the 2003 Series A Bonds.

Bond Insurer Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2002; and
 - (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the 2003 Series A Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003), are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA Insurance Corporation is (914) 273-4545.

As of December 31, 2002, the Bond Insurer had admitted assets of \$9.2 billion (audited), total liabilities of \$6.0 billion (audited), and total capital and surplus of \$3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2003, the Bond Insurer had admitted assets of \$9.3 billion (unaudited), total liabilities of \$6.1 billion (unaudited), and total capital and surplus of \$3.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of Bond Insurer

Moody's Investors Service, Inc. rates the financial strength of the Bond Insurer "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of the Bond Insurer "AAA."

Fitch Ratings rates the financial strength of the Bond Insurer "AAA."

Each rating of the Bond Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Bond Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 2003 Series A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2003 Series A Bonds. The Bond Insurer does not guaranty the market price of the 2003 Series A Bonds nor does it guaranty that the ratings on the 2003 Series A Bonds will not be revised or withdrawn.

In the event that the Bond Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

There can be no assurances that payments made by the Bond Insurer representing interest on the 2003 Series A Bonds will be excluded from gross income, for federal tax purposes, in the event of nonappropriation by the County.

CERTAIN RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of 2003 Series A Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations, which may be relevant to investing in the 2003 Series A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limited Obligation

The 2003 Series A Bonds are not County debt and are limited obligations of the Authority. 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 2003 Series A Bonds nor for the payment of Base Rental Payments. The Authority has no taxing power. The obligation of the County to pay Base Rental Payments when due is an obligation payable from amounts in the General Fund of the County. The obligation of the County to

make Base Rental Payments under the Facility Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to make Base Rental Payments under the Facility Lease constitute a debt or indebtedness of the Authority, the County, the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restrictions.

Base Rental Payments Not a Debt of the County

The Base Rental Payments due under the Facility Lease (and insurance, payment of costs of repair and maintenance of the Facilities, taxes and other governmental charges and assessments levied against the Facilities) are not secured by any pledge of taxes or any other revenues of the County but are payable from any funds lawfully available to the County. The County may incur other obligations in the future payable from the same sources as the Base Rental Payments. 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. 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 County's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the County's current limitations on appropriations, see "Constitutional And Statutory Limitations on Taxes, Revenues and Appropriations—Article XIII B of the California Constitution."

Valid and Binding 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 due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials 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. A court, however, in its discretion may decline to enforce such covenants. Upon issuance of the 2003 Series A Bonds, Bond Counsel will render its opinion (substantially in the form of APPENDIX E—"PROPOSED FORM OF BOND COUNSEL OPINION") to the effect that, subject to the limitations and qualifications described therein, the Facility Lease constitutes a valid and binding obligation of the County. As to the Authority's practical realization of remedies upon default by the County, see "—Default and Remedies" and "—Limitations on Remedies."

Abatement

In the event of loss or substantial interference in the use and occupancy of the Facilities by the County caused by damage or destruction or condemnation of the Facilities, Base Rental Payments (except for the portion of debt service attributable to the Courts Project, which will not be abated to the extent Courthouse Funds are available for the payment thereof) will be subject to abatement. In the event that the Facilities or any component thereof, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the County's rental interruption insurance will be available in lieu of Base Rental Payments plus the period for which funds are available from the Reserve Fund or the Revenue Fund, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of the Facilities or such component of the Facilities or redemption of the Bonds, there could be insufficient funds to make payments to Owners in full. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Facility Lease—Abatement."

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Facilities could be substantially higher or lower than its value at the time of issuance of the 2003 Series A Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the 2003 Series A Bonds.

Limited Recourse on Default

The enforcement of remedies provided in the Facilities Lease and the Trust Agreement could be both expensive and time consuming. The Trustee has no interest in the Authority's title to the Demised Premises, and has no right to terminate the Facility Lease or reenter or relet the Facilities. Upon the occurrence of one of the "events of default" described below, the County will be deemed to be in default under the Facility Lease and the Authority may exercise any and all remedies available pursuant to law or granted pursuant to the Facility Lease. Upon any such default, including a failure to pay Base Rental Payments, the Authority may either (1) terminate the Facility Lease and seek to recover certain damages or (2) without terminating the Facility Lease, (i) continue to collect rent from the County on an annual basis by seeking a separate judgment each year for that year's defaulted Base Rental Payments and/or (ii) reenter the Facilities and relet them. In the event of default, there is no right to accelerate the total Base Rental Payments due over the term of the Facility Lease, and the Trustee has no possessory interest in the Facilities and is not empowered to sell the Facilities.

Events of default under the Facility Lease include (i) the failure of the County to make rental payments under the Facility Lease when the same become 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 for a period of 60 days after notice of the same has been given to the County, and (iii) the bankruptcy or insolvency of the County.

Upon a default, the Trustee may elect to proceed against the County to recover damages pursuant to the Facility Lease. Any suit for money damages would be subject to statutory and judicial limitations on lessors' remedies under real property leases, other terms of the Facility Lease and limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Limitations on Remedies

The rights of the Bondholders are subject to the limitations on legal remedies against counties in the State, including applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the County, there are no involuntary petitions in bankruptcy. If the County were to file a petition under Chapter 9 of the Bankruptcy Code, the Bondholders, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Facility Lease, and from taking any steps to collect amounts due from the County under the Facility Lease.

All legal opinions with respect to the enforcement of the Facility Lease and the Trust Agreement will be expressly subject to a qualification that such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if equitable remedies are sought.

Military Conflicts and Terrorist Activities

Military conflicts and terrorist activities may adversely impact the finances of the County. On September 11, 2001, terrorist attacks occurred in New York City and Washington D.C. and resulted in significant damage and casualties. The County is unable to determine the effect of future terrorist events, if any, on, among other things, the County's current and future budgets, tax revenues, available reserves and additional public safety expenditures. The County conducted a review of certain existing safety and security measures after the events of September 11, 2001 and has begun to participate in additional security and public safety precautions taken in conjunction with "code" designations (*i.e.*, red, orange, yellow) announced by the federal government. Such precautions include coordination of safety and medical personnel, although specific anti-terrorist programs are not divulged publicly. The County does not guarantee that such actions will be adequate in the event that terrorist activities are directed against the County or its residents. The County also conducted a review of its current and proposed budgets and does not presently expect to incur additional material financial obligations as a result of the costs incurred in implementing these proposed safety measures. However, the County does not guarantee that additional actions by or affecting the County will not have a material adverse financial impact on the County.

Although, the County maintains various insurance coverage on its properties, including sabotage and terrorism coverage for real and personal property, the County makes no representation that this insurance coverage will continue to be maintained in the future or as to the ability of any insurer to fulfill its obligations under any insurance policy. See also APPENDIX B—"COUNTY FINANCIAL INFORMATION—Insurance and Self-Insurance Programs."

There are three petroleum refineries located within the County, and during Fiscal Year 2001-02, the owners of these refineries were the top three principal property taxpayers in the County. A terrorist act against any of these refineries or any principal taxpayer resulting in damage or destruction to company facilities or infrastructure could have a significant impact on revenues of the County. See also APPENDIX A—"GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION—ECONOMIC AND DEMOGRAPHIC INFORMATION—Principal Taxpayers."

Risk of Earthquake and Other Natural Disasters

There are several earthquake faults in the greater San Francisco Bay Area that could result in damage to the Facilities, the 2003 Series A Project, buildings, roads, bridges, and property within the County in the event of an earthquake. Past experiences, including the 1989 Loma Prieta earthquake, measuring 7.1 on the Richter scale with an epicenter approximately 60 miles south of the County, have resulted in minimal damage to the infrastructure and property in the County. Earthquake faults that could affect the County include but may not be limited to the Hayward Fault in the western part of the County, and the Concord/Green Valley, Diablo and Calaveras Faults within the eastern portions of the County.

The Facility Lease does not require the County to maintain insurance on the Facilities against certain risks such as earthquakes unless such insurance is available from a reputable insurance company at a reasonable cost to the County. The County has purchased an earthquake insurance policy that expires on March 31, 2005 to cover all County property, including the Facilities. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Insurance" and APPENDIX B—"COUNTY FINANCIAL INFORMATION—Insurance and Self-Insurance Programs."

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 or had 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.

Although the County handles, uses and stores certain hazardous substances, including but not limited to, solvents, paints, certain other chemicals on or near the Demised Premises, the County knows of no existing hazardous substances which require remedial action on or near the Demised Premises. However, it is possible that such substances do currently or potentially exist and that the County is not aware of them.

Limited Liability of Authority to the Owners

Except as expressly provided in the Trust Agreement, the Authority will not have any obligation or liability to the Owners of the 2003 Series A Bonds with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Facility Lease, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

State Funding of Counties

The County receives a significant portion of its funding from subventions by the State. In Fiscal Year 2003-04, approximately 35% of the General Fund Budget is expected to consist of payments from the State. As a result, decreases in the revenues received by the State can affect subventions made by the State to the County and other counties in the State. The potential impact of State budget actions on the County in particular, and other counties in the State generally, in this and future fiscal years is uncertain at this time but is expected to be materially adverse. For a discussion of the potential impact of State budget actions for Fiscal Year 2002-03 and Fiscal Year 2003-04 on the County in particular, and other counties in the State generally, see APPENDIX B—"COUNTY FINANCIAL INFORMATION—State Budget Acts."

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Described below are certain measures which have impacted or may in the future impact the County's General Fund Budget.

Article XIII A

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property 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 newly constructed, or when a change in ownership has

occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, on bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, and on bonded indebtedness for school facilities approved by 55% of the votes cast.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The County is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

On December 27, 2001, the Orange County Superior Court held in the case of County of Orange v. Orange County Assessment Appeals Board No. 3, case no. 00CC03385, that where a home's market value did not increase for two years, the Orange County assessor violated the provision of Article XIII A limiting the annual inflation adjustment to two percent when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by approximately four percent in a single year, following a year in which the assessed value had declined. The assessors in most California counties, including the County, have used and currently use a similar methodology in raising the taxable values of property beyond two percent in a single year. The State Board of Equalization has approved this methodology for increasing assessed values in similar circumstances. On December 12, 2002, the Orange County Superior Court held that any Orange County taxpayer whose property assessment rose more than 2% due to "recapturing" since 1979 is part of the certified class action lawsuit filed against Orange County. If upheld on appeal, the class action suit may result in \$1 billion in illegally collected taxes being returned to Orange County taxpayers. On January 30, 2003, the Orange County Superior Court ruled that the Orange County Tax Collector must notify such "recapture" taxpayers of their right to file tax refund claims. On April 18, 2003, a Final Judgment was entered ruling against the current statewide practice of restoration of a property assessment based on the market value, after a prior assessment reduction due to an economic downturn. On June 12, 2003, Orange County, the Orange County assessor and the Orange County tax collector filed a notice of Appeal.

In 2002, two other local courts (Los Angeles and San Diego) ruled differently on the same issue and affirmed the recapture method currently used statewide by counties.

The County uses the same methodology as Orange County, and as a result, is unable to predict the outcome of this litigation and what effect, if any, a similar action in the County might have on assessed values in the County. Each court's ruling only applies to the particular assessment involved in such case. However, if the reasoning of the Orange County Superior Court is applied generally, the loss of tax revenue to communities including the County could be significant. While, the County cannot predict the effect, if any, that the outcome of such litigation would have on property tax revenues to be

received by the County, the effect could be adverse. See APPENDIX B-"COUNTY FINANCIAL INFORMATION-Ad Valorem Property Taxes."

Article XIII B

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to the governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments. 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 the 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 amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs 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 California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The County's appropriations limit for the 2003-04 Fiscal Year is \$5,211,532,433, and the amount shown in its budget for that year as the appropriations subject to limitation is \$251,581,790.

Ventura Decision

For a discussion of the Ventura Decision and its impacts, see APPENDIX B-"COUNTY FINANCIAL INFORMATION-Pension Plan-Impact of the Ventura Decision."

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

The requirements imposed by Proposition 62 were upheld by the California Supreme Court in Santa Clara County Local Transportation Authority v. Guardino, 11 Cal. 4th 220; 45 Cal. Rptr. 2d 207 (1995). In this case, the Court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra*, *et al.* ("La Habra"). In La Habra, the Court held that the public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The Court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

The County levied a hotel tax in 1965 and subsequently increased the hotel tax in 1990. The 1990 increase raised the County's hotel tax from eight to ten percent, the current tax levied on the occupancy of any hotel room in the County. On November 5, 1996, the voters rejected a ratification of this increase in the hotel tax rate. However, it was resubmitted to and affirmed by the voters in March of 1997. Although the County did not collect the 2% portion of the tax between November of 1996 and March of 1997, it is now collecting the full 10% tax. Given the three year statute of limitations, no challenge can be brought against amounts collected prior to March 1997. Consequently, the County believes that it has no taxes to which Proposition 62 could apply.

Right to Vote on Taxes Initiative - 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 Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of cities and counties to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new 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 Board of Supervisors 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 increased expenditure requirements. In addition, Article XIII D contains new 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. This definition applies to landscape and maintenance assessments for open space areas, street medians, street lights and parks.

Article XIII D also contains several provisions affecting "fees" and "charges," defined for purposes of Article XIII D 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. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D, no property related fee or charge may 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, Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's general fund. "Assessment," "fee" and "charge" are not defined in Article XIII C, and it is not clear whether the definitions of these terms in Article XIII D (which are generally property related as described above) would be applied to Article XIII C. If the Article XIII D definitions are not held to apply to Article XIII C, the initiative power could potentially apply to revenue sources which currently constitute a substantial portion of general fund revenues. No assurance can be given that the voters of the County will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

In addition, Proposition 218 added several requirements making it generally more difficult for counties and other local agencies to levy and maintain assessments for municipal services and programs.

Finally, Proposition 218 requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general government purposes of the County require a majority vote and taxes for specific purposes only require a two-thirds vote. The voter approval requirements reduce the Board of Supervisor's flexibility to deal with fiscal problems by raising revenue and no assurance can be given that the County will be able to raise taxes in the future to meet increased expenditure requirements.

The County has satisfied the requirements of Proposition 218 for all applicable current local taxes, assessments, fees and charges.

Future Initiatives and Changes of Law

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Proposition 62 and Proposition 218 were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the County's revenues. In addition, the State legislature could amend or enact laws resulting in a reduction of moneys available to the County. Similarly, the State legislature could enact legislation with the approval of the electorate amending the State Constitution, which could result in a reduction of moneys available to the County.

THE AUTHORITY

The Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated as of April 7, 1992 (the "JPA Agreement"), between the County and the Contra Costa County Redevelopment Agency (the "Agency"). The JPA Agreement was entered into pursuant to the California Government Code, commencing with Section 6500. The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting in financing and refinancing projects for the benefit of the County and the Agency.

The Authority is governed by a five member Board of Directors. The Board of Supervisors of the County constitutes the Board of Directors of the Authority. The Executive Director and Secretary of the Authority is the County Administrator and Clerk of the Board of Supervisors, the Assistant Executive Director of the Authority is the County Community Development Director, the Deputy Executive Directors of the Authority are the Director, Capital Facilities and Debt Management of the County and the County Deputy Director-Redevelopment, the Treasurer of the Authority is the County's Auditor-Controller and the Assistant Secretary of the Authority is the Director, Capital Facilities and Debt Management of the County. The Authority's powers include, but are not limited to, the power to issue bonds and to sell such bonds to public or private purchasers at public or by negotiated sale. The Authority is entitled to exercise the powers common to its members and necessary to accomplish the purposes for which it was formed. These powers include the power to make and enter into contracts; to employ agents and employees; to acquire, construct, manage, maintain and operate buildings, works or improvements; to acquire, hold or dispose of property within the County; and to incur debts, liabilities or obligations.

THE COUNTY

The County of Contra Costa lies northeast of the San Francisco Bay and is the ninth most populous county in California. The County seat is in the City of Martinez. Major industries in the County include petroleum refining and telecommunications. The Fiscal Year 2002-03 General Fund Budget of the County totaled approximately \$1.18 billion. The General Fund Adopted Budget for Fiscal Year 2003-04 is approximately \$1.14 billion.

For certain economic, demographic and financial information with respect to the County, see Appendix A—"General County Economic and Demographic Information," Appendix B—"County Financial Information" and Appendix C—"Excerpts From the Comprehensive Annual Financial Report of the County for the Fiscal Year Ended June 30, 2002."

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings ("Fitch"), have assigned the 2003 Series A Bonds ratings of "Aaa," "AAA" and "AAA," respectively, with the understanding that upon delivery of the 2003 Series A Bonds, the policy insuring payment when due of the principal of and interest on the 2003 Series A Bonds will be issued by the Bond Insurer. See "MUNICIPAL BOND INSURANCE POLICY" and APPENDIX H—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Certain information was supplied by the Authority and the County to the rating agencies to be considered in evaluating the 2003 Series A Bonds. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the 2003 Series A Bonds.

There is no assurance that such ratings will continue for any given period of time or that they will not be reduced 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 to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2003 Series A Bonds.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the 2003 Series A Bonds, the County and the Authority will each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the County or the Authority threatened, against the County or the Authority in any material respect affecting the existence of the County or the Authority or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale or delivery of the 2003 Series A Bonds, the Trust Agreement, the Facility Lease, the Site Lease or the payment of Base Rental Payments or challenging, directly or indirectly, the location of the Facilities, or the proceedings to lease the Facilities from the Authority.

Various legal actions are pending against the County. The aggregate amount of the uninsured liabilities of the County which may result from all legal claims currently pending against it will not, in the opinion of the County, materially affect the County's finances or impair its ability to make Base Rental Payments under the Facility Lease.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, 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 2003 Series A 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 opinion that interest on the 2003 Series A 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.

The amount (if any) by which the issue price of the 2003 Series A Bonds of any given maturity date is less than the amount to be paid on such date (excluding amounts stated to be interest and payable at least annually over the term of such Bonds) constitutes "original issue discount," the accrual of which,

to the extent properly allocable to each owner thereof, is treated as interest on the 2003 Series A Bonds which is excluded from gross income for federal income tax purposes and which is exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2003 Series A Bonds is the first price at which a substantial amount of such maturity of the 2003 Series A 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 2003 Series A Bonds of any maturity date accrues daily over the term to such maturity date 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. Owners of the 2003 Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2003 Series A Bonds with original issue discount, including the treatment of purchasers 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.

2003 Series A Bonds purchased, whether at original issuance or otherwise, for an amount greater 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 for bonds, like 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 purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. 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 2003 Series A Bonds. The Authority and the County have covenanted to comply with certain restrictions designed to assure that interest on the 2003 Series A Bonds will not be included in gross income for federal income tax purposes. Failure to comply with these covenants may result in interest on the 2003 Series A Bonds being included in federal gross income, possibly from the date of issuance of the 2003 Series A Bonds. The opinion of Bond Counsel assumes 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) after the date of issuance of the 2003 Series A Bonds may adversely affect the value of the 2003 Series A Bonds or the tax status of interest on the 2003 Series A Bonds.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement, the Facility Lease, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2003 Series A Bonds) may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any 2003 Series A Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the 2003 Series A 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 the 2003 Series A Bonds, or the accrual or receipt of interest on the 2003 Series A Bonds, may otherwise affect a Bondholder's federal or State tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the 2003 Series A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent

Bondholders of the 2003 Series A Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the 2003 Series A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the 2003 Series A Bonds for audit examination, or the course or result of any IRS examination of the 2003 Series A Bonds, or obligations which present similar tax issues, will not affect the market price for the 2003 Series A Bonds.

LEGAL MATTERS

Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, will render an opinion with respect to the validity of the 2003 Series A Bonds. Copies of such approving opinion will be available at the time of delivery of the 2003 Series A Bonds. The form of the legal opinion proposed to be delivered by Bond Counsel is included as APPENDIX E to this Official Statement. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement. Certain legal matters will be passed upon for the County and the Authority by County Counsel, and by Lofton & Jennings, San Francisco, California, Disclosure Counsel. Compensation paid to Bond Counsel and Disclosure Counsel is contingent on the sale of the 2003 Series A Bonds.

FINANCIAL ADVISOR

The County has retained Tamalpais Advisors Inc., Sausalito, California as financial advisor (the "Financial Advisor") to the Authority in connection with the issuance of the 2003 Series A Bonds. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or negotiable instruments. Compensation paid to the Financial Advisor is contingent on the delivery of the 2003 Series A Bonds.

CONTINUING DISCLOSURE

The County will undertake all responsibilities for any continuing disclosure to Owners of the 2003 Series A Bonds as described below.

The County will enter into a Continuing Disclosure Agreement with the Trustee, to be dated the date of delivery of the 2003 Series A Bonds (the "Continuing Disclosure Agreement"), which provides for certain disclosure obligations on the part of the County. Under the Continuing Disclosure Agreement, the County will covenant for the benefit of Owners and Beneficial Owners of the 2003 Series A Bonds to provide certain financial information and operating data relating to the County by not later than nine months after the end of its fiscal year (which fiscal year currently ends on June 30), commencing with the report for the fiscal year ending June 30, 2004 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events (the "Listed Events"), if material. The Annual Report is to be filed with each Nationally Recognized Municipal Securities Information Repository and with any then-existing State Repository for the State of California. Currently, there is no State Repository for the State of California. The notices of material events are to be filed with the Municipal Securities Rulemaking Board. These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

The County has not failed to comply with any prior such undertaking under the Rule. For a form of the Continuing Disclosure Agreement, see APPENDIX F—"PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT."

UNDERWRITING

The 2003 Series A Bonds were awarded at a competitive sale on Wednesday, June 30, 2003 to Citigroup Global Markets Inc., CIBC World Markets and Alamo Capital (collectively, the "Underwriter") at a purchase price equal to the principal amount of the 2003 Series A Bonds less a net underwriting discount in the amount of \$185,000.00. Based upon the reoffering yields provided by the Underwriter, total Underwriter's compensation is \$206,428.05, including an original issue premium in the amount of \$21,428.05. The Series 2003 A Bonds were offered and sold pursuant to an Official Notice of Sale which provides that all of the 2003 Series A Bonds will be purchased, if any are purchased, with the obligation of the Underwriter to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by counsel and certain other conditions set forth therein. The Underwriter has represented to the Authority that the 2003 Series A Bonds have been reoffered to the public at the prices or yields stated on the inside cover of this Official Statement.

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MISCELLANEOUS INFORMATION

References are made herein to certain documents, reports and laws that are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents, reports and laws for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority (or the County) and the purchasers or Owners of any of the 2003 Series A Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Board of Directors of the Authority and approved by the County Board of Supervisors.

COUNTY OF CONTRA COSTA
PUBLIC FINANCING AUTHORITY

By: /s/ John Sweeten
Executive Director

APPENDIX A

GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

APPENDIX A

GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The County of Contra Costa, California (the "County") was incorporated in 1850 as one of the original 27 counties of the State of California (the "State"), with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County covers approximately 733 square miles and extends from the northeastern shore of the San Francisco Bay easterly about 50 miles to San Joaquin County. The County is bordered on the south and west by Alameda County and on the north by the Suisun and San Pablo Bays. The western and northern shorelines are highly industrialized, while the interior sections are suburban/residential, commercial and light industrial. The County contains 19 incorporated cities, including Richmond in the west, Antioch in the northeast, and Concord in the central portion of the County.

A large part of the County is served by the San Francisco Bay Area Rapid Transit District ("BART"), which has enabled the expansion of both residential and commercial development throughout much of the County. In addition, economic development along the Interstate 680 corridor in the County has been substantial and has accounted for significant job creation in the Cities of Concord, Walnut Creek and San Ramon.

County Government

The County has a general law form of government. A five-member Board of Supervisors, each member of which is elected to a four-year term, serves as the County's legislative body. Also elected are the County Assessor, Auditor-Controller, Clerk-Recorder, District Attorney-Public Administrator, Sheriff-Coroner and Treasurer-Tax Collector. A County Administrator appointed by the Board of Supervisors runs the day-to-day business of the County. The current County Administrator is John Sweeten.

Population

The County is the ninth most populous county in California, with its population reaching approximately 994,900 as of January 1, 2003. This represents an increase of approximately 23% compared to the County's population in 1990. The availability of rapid transit, close proximity to major employment hubs in San Francisco and Oakland, and relatively affordable existing and new housing have combined to attract more residents to the County over the past decade.

While population grew in every city in the County during the last decade, population growth has been strongest in unincorporated areas as well as in the eastern portion of the County, particularly in Antioch, Brentwood and Clayton.

The following is a summary of the County's population levels for 1980, 1990 and 2000 through 2003.

Table A-1
COUNTY OF CONTRA COSTA
POPULATION (1)

	1980	1990	2000	2001	2002	2003
Antioch	42,683	62,195	90,532	93,200	96,700	99,300
Brentwood	4,434	7,563	23,302	25,100	29,650	33,000
Clayton	4,325	7,317	10,762	10,950	11,000	11,000
Concord	103,763	111,308	121,780	123,300	123,900	124,900
Danville ⁽²⁾	26,143	31,306	41,715	42,700	43,000	43,200
El Cerrito	22,731	22,869	23,171	23,400	23,500	23,550
Hercules	5,500	16,829	19,488	19,850	20,150	20,500
Lafayette	20,837	23,366	23,908	24,150	24,400	24,400
Martinez	22,582	31,810	35,866	36,300	36,700	36,900
Moraga	15,014	15,987	16,290	16,450	16,500	16,500
Oakley ⁽²⁾	N/A	N/A	25,619	26,000	26,150	27,000
Orinda ⁽²⁾	17,070	16,642	17,599	17,800	17,850	17,850
Pinole	14,253	17,460	19,039	19,350	19,450	19,500
Pittsburg	33,465	47,607	56,769	58,000	59,900	61,100
Pleasant Hill	25,547	31,583	32,837	33,200	33,350	33,700
Richmond	74,676	86,019	99,216	100,400	101,100	101,400
San Pablo	19,750	25,158	30,215	30,550	30,900	30,750
San Ramon ⁽²⁾	20,511	35,303	44,722	45,900	46,250	47,050
Walnut Creek	54,033	60,569	64,296	65,600	65,900	66,000
Unincorporated	128,551	152,841	151,690	153,100	155,200	157,500
Total	656,331	803,732	948,816	965,100	981,600	994,900
California	23,668,145	29,758,213	33,871,648	34,385,000	35,037,000	35,591,000

⁽¹⁾ Totals may not equal sums due to independent rounding.

Source: United States Census for years 1980-2000; State Department of Finance for 2001 through 2003.

Industry and Employment

The County has one of the fastest growing work forces among Bay Area counties, with growth in its employment base being driven primarily by the need to provide services to an increasing local population. The County has experienced an immigration of white-collar jobs due to the relocation of companies from costlier locations in the Bay Area. The combined impact of population growth and immigration has resulted in significant job creation in the County, with the 2001 job base of 342,300 representing an aggregate increase of approximately 10% since 1997.

Dates of incorporation: Danville (7/1/82); Orinda (7/1/85); San Ramon (7/1/83), and Oakley (1999); the 1990 Census Report created 1980 population levels for all of these cities except Oakley prior to official incorporation.

As shown below, the County's civilian labor force was 523,800 in 2002. With average 2002 unemployment rates of 5.2% and 6.7% for the County and the State, respectively, the County has achieved a lower unemployment rate than the State in each of the past five years.

Table A-2 COUNTY OF CONTRA COSTA EMPLOYMENT AND UNEMPLOYMENT OF RESIDENT LABOR FORCE WAGE AND SALARY EMPLOYMENT BY INDUSTRY ANNUAL AVERAGES (IN THOUSANDS)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Civilian Labor Force (1)	472.8	479.9	490.1	505.1	509.8	523.8
Employment	453.2	462.6	475.3	490.4	493.1	496.7
County Unemployment	19.6	17.3	14.8	13.7	16.7	27.1
Unemployment Rate:						
County	4.1%	3.6%	3.0%	2.7%	3.3%	5.2%
State of California	6.3%	5.9%	5.2%	4.9%	5.3%	6.7%
Wage and Salary Employment (2)	<u>1997</u>	1998	<u>1999</u>	2000	2001	
Agriculture	1.1	0.9	1.3	2.2	2.4	
Mining and Construction	22.1	23.3	26.3	28.0	29.8	
Manufacturing	26.0	25.6	24.4	25.4	25.5	
Transportation and Public Utilities	20.4	20.1	19.9	20.5	20.8	
Wholesale Trade	11.3	11.0	12.1	12.3	12.2	
Retail Trade	57.4	59.2	60.6	62.0	62.2	
Finance, Insurance, and Real Estate	27.9	28.1	28.5	28.4	30.1	
Services	98.9	103.8	106.3	109.8	109.9	
Government	45.6	45.5	47.2	48.2	43.2	
TOTAL (3)	310.8	317.6	326.6	336.6	342.3	

⁽¹⁾ Based on place of residence.

Source: State of California, Employment Development Department, and Labor Market Information Division, March 2000 benchmark.

Major Employers

Major industries in the County include petroleum refining, telecommunications, financial and retail services, steel manufacturing, prefabricated metals, chemicals, electronic equipment, paper products and food processing. Most of the County's heavy manufacturing is located along the County's northern boundary fronting on the Suisun and San Pablo Bays leading to San Francisco Bay and the Pacific Ocean.

⁽²⁾ Based on place of work. Data for 2002 is not yet available.

^{(3) &}quot;Total" may not be precise due to independent rounding.

The following Table A-3 provides a listing of major employers headquartered or located in the East Bay and their employment levels.

Table A-3
MAJOR EMPLOYERS IN THE EAST BAY
WITH EMPLOYEES IN THE COUNTY (1)

	Primary Location		
<u>Firm</u>	in County	Product or Service	Employment
U.S. Postal Service	Countywide	Postal Services	10,000
ChevronTexaco ⁽²⁾	Countywide	Energy, Oil & Gas	8,730
County of Contra Costa (2)	Martinez	County Government	8,788
Safeway	Countywide	Supermarkets	7,922
Bank of America	Countywide	Banking	7,081
SBC/Pacific Bell/Cingular Wireless	San Ramon	Telecommunications	7,000
Pacific Gas & Electric	Countywide	Gas & Electric Service	5,200
Kaiser Permanente Medical Center (2)	Walnut Creek, Martinez	Health Care	4,730
Lucky Stores	Countywide	Supermarkets	4,631
Bio-Rad Laboratories Inc.	Hercules	Biotech Tests	4,300
Wells Fargo & Co.	Countywide	Banking	4,000
AT&T	Countywide	Telecommunications	4,000
Mt. Diablo Unified School District (2)	Concord	K-12 Education	3,700
Western Contra Costa School District (2)	Richmond	K-12 Education	3,360
John Muir/Mt. Diablo Health System (2)	Walnut Creek	Health Care	3,023
Longs Drug Stores (2)	Walnut Creek	Retail Drug Stores	2,900
Ocular Sciences Inc.	Concord	Contact Lenses	3,144
San Ramon Valley Unified School District	Danville	K-12 Education	2,200
Contra Costa Newspapers (2)	Walnut Creek	Newspaper Publishing	1,417
Round Table Franchise Corp.	Countywide	Pizza Restaurants	1,230
Tosco	Martinez	Oil Refinery	1,200
Hill Physicians Med. Group	Countywide	Health Care	1,050
USS Posco Industries	Pittsburg	Steel Manufacturing	1,000
Shell Martinez Refining Co. (Equilon)	Martinez	Oil Refinery	930

Sources: Office of County Administrator; County Audit, and various published sources, including San Francisco Chronicle, May 2002; East Bay Business Times, November 2001; San Francisco Business Times, November 1999. Data is for the reported entity's latest fiscal year.

Petroleum and Petroleum Products. The production of petroleum products formed the initial basis of industrial development in the County. Currently, three companies in the County, ChevronTexaco Corporation ("Chevron"), Equilon Enterprises LLC and Tosco Corporation, manufacture products from crude oil. The largest in terms of capacity is Chevron's Richmond Refinery, which began operations in 1902. The Richmond Refinery, located on approximately 3,000 acres, has a capacity of 365,000 barrels per day and produces a complete line of petroleum products importing the bulk of the crude oil from Alaska.

A number of Chevron's divisions are located throughout the County. Chevron is the fifth largest company in the San Francisco Bay Area (as measured by net income) and is one of the largest employers in the County. Chevron has approximately 8,730 employees located among its various facilities located in the cities of Concord, Richmond, San Ramon and Walnut Creek within the County, and in other East Bay communities.

Tosco Refining Company, a wholly-owned subsidiary of Tosco Corporation ("Tosco"), operates an oil refinery at Rodeo between the cities of Richmond and Martinez, and a distribution terminal for Northern California at Richmond, which began operations in 1896, occupies approximately 1,100 acres. Tosco employees in the County total approximately 1,200.

⁽²⁾ Headquartered in the County.

Equilon Enterprises, LLC ("Equilon"), is a joint venture petroleum company between affiliates of Shell Oil Company and Texaco Inc. formed in 1998. Equilon began operating as Shell Oil Company in Martinez in 1915. The Martinez facility, located on approximately 1,100 acres, is a combined oil refinery and industrial chemical production plant. Equilon employees in the County total approximately 930, the majority of which work at the Martinez Facility.

Effective Buying Income

"Effective buying income" ("EBI") is a classification developed exclusively by Sales & Marketing Management magazine to distinguish it from other sources reporting income statistics. EBI is defined as "money income" less personal tax and nontax payments - a number often referred to as "disposable" or "after-tax" income. Money income is the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling and other periodic income. Money income does not include money received from the sale of property (unless the recipient is engaged in the business of selling property); the value of "in-kind" income such as food stamps, public housing subsidies, medical care, employer contributions for persons, etc.; withdrawal of bank deposits; money borrowed; tax refunds; exchange of money between relatives living in the same household; gifts and lump-sum inheritances, insurance payments, and other types of lump-sum receipts. EBI is computed by deducting from money income all personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate.

The total effective buying income for the County in 2001, as reported by Sales & Marketing Management in its *Survey of Buying Power*, is \$23,902,953 and the median household EBI is \$56,507. The 2001 County median household EBI was lower as compared to 2000, as was the case statewide and nationally. The 2001 County median household EBI of \$56,507 compares to that of \$49,173 for the City and County of San Francisco; \$54,076 for Alameda County; \$64,766 for San Mateo County; \$67,502 for Santa Clara County and \$40,789 for Los Angeles County.

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Table A-4 below presents the latest available total effective buying income and median household effective buying income for the County, the State and the nation for the calendar years 1997 through 2001.

Table A-4
COUNTY OF CONTRA COSTA
EFFECTIVE BUYING INCOME
CALENDAR YEARS 1997-2001

Year and Area	Total Effective Buying Income (\$ In 000's)	Median Household Effective <u>Buying Income</u>
2001†	(\$ 111 000 S)	duying income
County	\$23,902,953	\$56,507
State	650,521,407	43,532
United States	5,303,481,498	38,365
2000		
County	\$24,823,698	\$60,189
State	652,190,282	44,464
United States	5,230,824,904	39,129
1999		
County	\$21,772,470	\$53,234
State	590,376,663	39,492
United States	4,877,786,658	37,233
1998		
County	\$20,180,064	\$49,645
State	551,999,317	37,091
United States	4,621,491,730	35,377
1997		
County	\$19,079,564	\$48,476
State	524,439,600	36,483
United States	4,399,998,035	34,618

[†] Most recent data available.

Source: Sales & Marketing Management, Survey of Buying Power, 2002.

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Commercial Activity

Commercial activity comprises an important part of the County's economy, with taxable transactions totaling approximately \$12.25 billion in 2001. Presented in Table A-5 below is a summary of taxable transactions in the County since 1997.

Table A-5
COUNTY OF CONTRA COSTA
TAXABLE TRANSACTIONS
1997 TO 2001⁽¹⁾
(\$ IN 000'S)

Apparel Stores General Merchandise Stores Specialty Stores Food Stores Eating and Drinking Places Household and Home Furnishings and Appliances Building Materials Service Stations New Vehicles Used Vehicles, Automotive Supplies and Parts Other Retail	1997 \$ 277,962 1,283,994 957,508 478,924 664,184 333,179 591,710 ⁽²⁾ 780,857 - 1,143,170 ⁽³⁾	1998 \$ 289,750 1,379,504 1,070,135 486,580 708,982 354,814 581,855 922,502 1,074,170 182,628	1999 \$ 304,915 1,467,490 1,259,681 509,062 764,682 402,219 680,821 669,467 1,236,531 228,062	2000 \$338,215 1,625,482 1,278,513 544,489 832,962 460,121 766,196 820,701 1,484,713 277,995	2001 ⁽¹⁾ \$346,190 1,683,803 1,229,075 583,947 878,955 456,144 850,622 792,340 1,561,089 320,526 240,131
New Vehicles		1,074,170	1,236,531	1,484,713	1,561,089
Other Retail Total Retail Outlets Business and Personal Services All Other Outlets	44,700 \$6,556,188 407,816 2,313,414	172,779 \$7,223,699 442,696 2.427,295	195,331 \$7,718,261 467,124 2,929,091	220,032 \$8,649,419 542,103 3,139,038	240,131 \$8,942,822 540,959 2,772,940
TOTAL ALL OUTLETS	\$9,277,418	\$10,093,690	\$11,114,476	\$12,330,560	\$12,256,721

⁽¹⁾ Most recent data available.

Source: State Board of Equalization.

Much of the County's commercial activity is concentrated in central business districts of the cities and unincorporated towns. Regional shopping centers, numerous smaller centers and several "big box" warehouse stores serve County residents. The County is served by major banks including Bank of America and Wells Fargo Bank. In addition there are numerous local banks and branches of smaller California and foreign banks. There are over 30 savings and loan associations in the County, including Washington Mutual, World Savings and California Federal.

Residential Construction Activity

The value of residential construction activity increased by 34.8% in 2002 from 2001 levels, the highest annual percentage increase in the past 10 years. This was attributable to an increase of nearly 5,000 building permits for single family units and 561 multiple family units.

Within incorporated cities in the County, Brentwood accounted for the greatest activity with \$324.4 million of construction permits issued in 2002, an increase of 43.3% compared to 2001. Construction in unincorporated areas of the County totaled \$354.2 million, an increase of 120.3% compared to 2001.

⁽²⁾ Includes taxable transactions for farm implements. After 1997, taxable transactions for farm implements is included in "Other Retail."

⁽³⁾ For 1997 only, also includes taxable transactions for sales of new vehicles. After 1997, taxable transactions for new vehicles are reported separately.

The following Table A-6 provides a summary of building permit valuations and number of new dwelling units authorized in the County since 1993.

Table A-6
COUNTY OF CONTRA COSTA
BUILDING PERMIT VALUATIONS 1993 THROUGH 2002

Valuation (\$ in millions)		Number of New Dwelling Units			
	Residential	Single	Multiple	_	
<u>Year</u>	(New)	<u>Family</u>	<u>Family</u>	<u>Total</u>	
1993	590,135	3,026	451	3,477	
1994	699,395	3,682	230	3,912	
1995	619,685	2,137	618	3,755	
1996	584,108	3,094	450	3,580	
1997	582,793	3,105	381	3,486	
1998	738,939	3,144	999	4,142	
1999	852,256	3,909	504	4,413	
2000	841,990	3,692	1,071	4,763	
2001	921,370	4,144	776	4,920	
2002	1,242,412	4,996	561	5,557	

Source: Economic Sciences Corporation.

Urban Limit Line. On August 1, 2000 the Board of Supervisors unanimously adopted an amendment to the Contra Costa County General Plan, 1995-2010, modifying the boundaries of the County's Urban Limit Line. This action shrinks the growth limit line by 22 square miles, thus removing approximately 14,000 acres from future development. The two regions primarily affected by the Board's action are the eastern part of the County and the Tassajara Valley in the south-central part of the County. Two cities within the County lost lawsuits challenging the environmental justifications for the boundary shift. The County anticipates that other parties may also file lawsuits or take other actions challenging the boundary shift. Consequently, the actual number of acres ultimately removed from future development may be less than 14,000 acres.

Following adoption of the Urban Limit Line approximately \$12.7 billion of construction projects were approved or were underway in the County, including a \$3.0 billion development known as "Dougherty Valley" that will add approximately 10,000 new homes to the County's housing stock, the development of other major subdivisions that will add 16,000 new homes with an estimated value of \$4.8 billion and construction projects totaling more than \$1.1 billion on three major bridges. Approximately \$2.6 billion of projects are pending approval, including \$1.3 billion of construction spending on approximately 4,500 residential units.

Transportation

Availability of a broad transportation network has been one of the major factors in the County's economic and population growth. Interstate 80 connects the western portion of the County to San Francisco, Sacramento and points north to Interstate 5, the major north-south highway from Mexico to Canada. Interstate 680 connects the central County communities to the rest of the Bay Area via State Routes 4 and 24, the County's major east-west arteries.

Caltrans is currently widening Interstate 80 in the western portion of the County at a cost of \$200 million and constructing replacement spans on the Carquinez Bridge and Interstate Highway 80 and the Benicia – Martinez Bridge on Interstate Highway 680 at a cost of \$1.1 billion.

Ground transportation is available to County residents from the following service providers:

- Central Contra Costa Transit Authority provides local bus service to the central area of the County including Walnut Creek, Pleasant Hill and Concord.
- BART connects the County to Alameda County, San Francisco and Daly City and Colma in San Mateo County with two main lines, one from the San Francisco area to Richmond and the other to the Concord/Walnut Creek/Pittsburg/Bay Point area. BART now has 43 stations and 103.7 miles of roadway in its system. The BART extension to the San Francisco International Airport is complete and opened for operation on June 22, 2003.
- AC Transit, provides local bus service and connects Contra Costa communities to San Francisco and Oakland.
- Other bus service is provided by Greyhound.
- Commuter rail service is provided by the Capital Corridor, with daily runs between the Bay Area and Sacramento that stops at the new intermodal terminal in Martinez, the County seat.
- The Santa Fe and Union Pacific Railroads' main lines serve the County, both in the industrial coastal areas and the inland farm section.

Commercial water transportation and docking facilities are available through a number of port and marina locations in the County. The Port of Richmond on San Francisco Bay and several privately owned industrial docks on both San Pablo and Suisun Bays serve the heavy industry located in the area. The Port of Richmond, owned and operated by the City of Richmond, covers 202 acres and handles nearly 20 million metric tons annually. The majority of the shipments are bulk liquids with the remainder consisting of scrap metal, autos, and gypsum rock.

Major scheduled airline passenger and freight transportation for County residents is available at either Oakland or San Francisco International Airports, located about 20 and 30 miles, respectively, from the County. In addition there are two general aviation fields, one at Byron and the other at Concord.

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Agriculture

The County is comprised of 470,400 acres, with 147,859 of these acres allocated to farmlands and harvested cropland. In 2002, the total gross value of agricultural products and crops reached \$100,154,100, an increase of \$2,638,700 compared to 2001. The value of agricultural production since 1998 is set forth in Table A-7 below.

Table A-7
COUNTY OF CONTRA COSTA
AGRICULTURAL PRODUCTION, 1998 TO 2002

	<u>1998</u>	<u>1999</u>	2000	2001	<u>2002</u>
Nursery Products	\$31,643,300	\$28,202,200	\$32,105,200	\$37,509,500	\$35,385,000
Livestock and Poultry	3,911,300	7,794,000	8,829,000	7,424,000	15,603,000
Field crops	9,291,000	9,525,000	9,162,000	12,140,000	10,095,000
Vegetable and Seed Crops	16,756,000	18,298,000	17,026,400	16,055,000	17,723,100
Fruit and Nut Crops	17,180,400	18,197,300	18,050,000	15,609,600	14,550,300
Livestock, Apiary and					
Poultry Products	8,083,250	8,474,280	7,425,000	8,777,300	6,797,700
Total	\$86,765,250	\$90,490,780	\$92,597,600	\$97,515,400	\$100,154,100

Source: Contra Costa County Department of Agriculture.

Environmental Control Services

Water. The East Bay Municipal Utilities District ("EBMUD") and the Contra Costa County Water District ("CCCWD") supply water to the County. EBMUD, the second largest retail water distributor west of the Mississippi, supplies water to the western part of the County. Ninety-five percent of its supply is from the Mokelumne River stored at the 69.4 billion gallon capacity Pardee Dam in Ione, California. EBMUD is entitled to 325 million gallons per day under a contract with the State Water Resources Control Board, plus an additional 325 million gallons per day under a contract with the U.S. Water and Power Resources Service (formerly the U.S. Bureau of Reclamation). EBMUD does not plan to draw on its federal entitlement for the foreseeable future.

CCCWD obtains its water from the Sacramento-San Joaquin Delta and serves 400,000 customers in Concord, Pleasant Hill, Martinez, Clayton, Pittsburg and Antioch. It is entitled under a contract with the U.S. Water and Power Resources Service to 195,000 acre-feet per year. Water sold has ranged between 80,000 and 110,000 acre-feet annually. In addition, a number of industrial users and several municipalities draw water directly from the San Joaquin River under their own riparian rights, so that actual water usage in the service area averages about 125,000 acre-feet annually. To provide expanded water storage capacity, CCCWD constructed the Los Vaqueros Reservoir with a capacity of 100,000 acre-feet south of the City of Antioch at an estimated cost of \$450 million.

Sewer. Sewer services for the County are provided by approximately 20 sanitation districts and municipalities. Federal and State environmental requirements, plus grant money available from these two sources, have resulted in about 14 agencies upgrading, expanding and/or building new facilities within the past three years.

Flood Control. The Contra Costa County Flood Control District (the "District") has been in operation since 1951 to plan, build, and operate flood control projects in unincorporated areas of the County except for the Delta area on its eastern border. The Delta is interspersed with inland waterways that fall under the jurisdiction of the U.S. Corps of Engineers and the State Department of Water Resources. The District has recently completed construction of the West Antioch Capacity Improvement Project and is nearing completion of the Martinez Improvement Project. The District is responsible for

meeting requirements set forth by the Environmental Protection Agency ("EPA") with respect to addressing potential pollutants in nonspecific groundwater runoff. The County is not presently able to estimate the cost of compliance with EPA requirements, although such costs may be significant.

Education

Public school education in the County is available through nine elementary school districts, two high school districts and seven unified school districts. These districts provide 138 elementary schools, 40 middle, junior high and intermediate schools, 27 high schools, 10 necessary small and continuation high schools, and a number of preschools, adult schools, and special education facilities. In addition, there are approximately 110 private schools with six or more students in the County. School enrollment for Fiscal Year 2001-02 numbered approximately 161,742 students in public schools and 19,778 students in private schools.

Higher education is available in the County through a combination of two-year community colleges and four-year colleges. The Contra Costa County Community College District has campuses in Richmond, Pleasant Hill and Pittsburg, with a satellite campus in Brentwood. California State University at Hayward operates a branch campus, called Contra Costa Center, in the City of Concord where late afternoon and evening classes in business, education and liberal arts are offered. St. Mary's College of California, a four-year private institution, is located on a 100-acre campus in Moraga. Also located within the County is the John F. Kennedy University campus in Orinda and a satellite in Walnut Creek, which is completing a move into expanded space in downtown Pleasant Hill. In addition, County residents are within easy commuting distance of the University of California, Berkeley.

Health Services

There are twelve privately operated hospitals and one public hospital in the County, with a combined total of approximately 1,900 beds. Four of the private hospitals are run by Kaiser, the largest health maintenance organization in the United States. Kaiser has opened a new hospital in Richmond with new critical care beds, surgical suites and a full service emergency department. The Walnut Creekbased John Muir/Mt. Diablo Health System is planning to build a new campus in Brentwood.

Under State law, the County is required to administer State and federal health programs, provide for community mental health and treatment programs, and provide for a portion of the costs of such services with local revenues, such as sales and property taxes. The County Health Services Department (the "Health Services Department") provides these services to all County residents regardless of their ability to pay.

The Health Services Department is responsible for providing a comprehensive health system to residents of the County including the following: clinical and laboratory services; maternal, child and adolescent health services; public health clinics services; mental health services; alcohol and drug treatment services; programs related to the prevention of disease and injury (*e.g.*, tobacco education, senior health education); community nutrition projects; and obesity and asthma prevention.

The public hospital is the Contra Costa Regional Medical Center (the "Regional Medical Center"), a 164-bed, general acute care teaching hospital that the County rebuilt and reopened to the public in 1998 on the existing site in Martinez. The Regional Medical Center provides a full range of services, including emergency, medical, surgical, perinatal pediatric and psychiatric services. The Regional Medical Center also has facilities for diagnostic imaging, clinical laboratory and pharmacy services, rehabilitation and cardio pulmonary care.

Since the reopening of the Regional Medical Center in 1998 and the opening of a public health laboratory in 2001, the County converted the former Los Medanos Hospital into the Pittsburg Health Center and has completed construction of a new ambulatory care clinic on the campus of the Regional Medical Center. The County is also in the process of expanding primary care services in Antioch and Concord and in the early planning stages of replacing clinics in Brentwood and Richmond.

See also APPENDIX B-"COUNTY FINANCIAL INFORMATION-County Budget Process-Healthcare Funding."

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APPENDIX B COUNTY FINANCIAL INFORMATION

APPENDIX B

COUNTY FINANCIAL INFORMATION

Introduction

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. Currently, the County is required to provide health care to all indigents, administer welfare programs, provide justice facilities (courts and jails) and administer the property tax system and real estate recordings. Due to competing program priorities and the lack of available State funds, some of these programs have had reduced State support without a corresponding reduction in program responsibilities for county governments. The result has been that the County has increased its contribution to maintain mandated services while optional local services have been reduced. The Board of Supervisors has responded to this trend in part by instituting measures to improve management, thereby reducing costs while increasing productivity and maintaining services with diminished funding.

Currently, approximately 35% of the County's Fiscal Year 2003-04 General Fund Budget consists of payments from the State. The financial condition of the State has an impact on the level of these revenues. In past years the State has reduced revenues to counties to help solve the State's budget problems. The shift of nearly \$3.0 billion in property taxes from counties to schools during fiscal years 1992 through the current fiscal year is the best example. The State has also diverted other revenues such as cigarette taxes and trailer coach in lieu taxes from counties to the State.

The level of intergovernmental revenues that the County will receive from the State in Fiscal Year 2003-04 and in subsequent fiscal years will be affected by the financial condition of the State.

State Budget Acts

The following information concerning the State's 2002-03 Fiscal Year budget, 2003-04 Fiscal Year budget and the California energy markets disruption has been obtained from publicly available information on the State Department of Finance, the State Treasurer and the California Legislative Analyst Office websites. The estimates and projections provided below are based upon various assumptions as updated in the 2003-04 Budget Bill, which may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved. For further information and discussion of factors underlying the State's projections, see the aforementioned websites. The County believes such information to be reliable, however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information.

State budget decisions have a profound impact on the County because the County is the provider of many State-mandated services. California counties are political subdivisions of the State and have a much closer economic tie to the State than that of other governmental entities.

In the past, the Governor and the Legislature have shifted to cities and counties the responsibility of providing and funding certain human services in order to alleviate deficits in the State's budget. The property tax shifts of 1992 and 1993, resulting in the creation of the Educational Revenue Augmentation Fund (the "ERAF") is the best example, but the "realignment" of human service programs in the early 1990s also involved cost and risk shifts from the State to counties and had a significant negative fiscal impact on counties for several years after inception.

State Budget for Fiscal Year 2002-03

<u>Background</u>. The 2002-03 Governor's Budget, released on January 10, 2002 (the "2002-03 Governor's Budget"), projected a fall-off in General Fund revenues due to the national economic recession, combined with the stock market decline which began in mid-2000. Personal income tax receipts, which include stock option and capital gains realizations, were particularly affected by the slowing economy and stock market decline. As a result, the Administration projected a combined budget gap for Fiscal Years 2001-02 and 2002-03 of approximately \$12.5 billion.

The May Revision to the 2002-03 Governor's Budget, released in May 2002, projected further deterioration in revenues of \$9.5 billion and additional costs of \$1.6 billion over the 2001-02 and 2002-03 Fiscal Years. As a result, the combined budget gap for Fiscal Years 2001-02 and 2002-03 rose from the \$12.5 billion estimated in January to \$23.6 billion.

2002 Budget Act. The 2002 Budget Act was signed by the Governor on September 5, 2002. The budget bill passed by the Legislature did not differ substantially from the Governor's May Revision proposal. The Governor vetoed only \$219 million of General Fund expenditures from the budget bill passed by the Legislature. The 2002 Budget Act initially projected total General Fund revenues and transfers to be \$79.2 billion in Fiscal Year 2002-03 (\$67.9 billion from the three largest sources) and total General Fund expenditures to be \$76.7 billion in Fiscal Year 2002-03. The 2002 Budget Act also included Special Fund expenditures of \$19.3 billion, with expected Special Fund revenues of \$14.7 billion, and \$2.8 billion of Bond Fund expenditures. The 2002 Budget Act assumed a General Fund budget reserve (balance in the Special Fund for Economic Uncertainties (the "SFEU") at June 30, 2003) of about \$1 billion.

As described below under "-Continuing Budget Shortfall," the revenue estimates have proved to be substantially overstated, as expected economic recovery has not occurred, among other factors. Based on revised estimates in the 2003-04 Governor's Budget, released on January 10, 2003, revenues and transfers in 2002-03 will be \$73.1 billion, with expenditures of \$75.5 billion, and the estimate for the June 30, 2003 SFEU balance is now a deficit of \$5.9 billion. See "-Governor's Budget for Fiscal Year 2003-04."

The 2002 Budget Act addressed a \$23.6 billion gap between expenditures and resources through a combination of program reductions, loans, fund shifts, accelerations and transfers (including a temporary transfer from redevelopment agencies of \$75 million to the ERAF), and modest tax changes:

- 1. Program cost savings in the 2001-02 and 2002-03 Fiscal Years were expected to total about \$7.458 billion. However, some of these savings were not realized.
- 2. The receipt of \$4.5 billion in Fiscal Year 2002-03 from the securitization (sale) of a large portion of the State's future receipt of payment from tobacco companies from the settlement of litigation against those companies. This sale was scheduled to close in two segments. The first sale closed in January 2003, producing General Fund revenues of \$2.5 billion. The second sale which was expected to occur in April 2003 and generate up to \$2.0 billion of General Fund revenues was cancelled due to unsettled market conditions.
- 3. A total of \$2.028 billion in loans from various funds, including \$1.218 billion from transportation funds.
- 4. The shift of \$1.328 billion of expenditures from the General Fund to other funding sources, such as special funds and proposed future bond funds.

- 5. The receipt of \$1.2 billion additional revenues in Fiscal Year 2002-03 from a two-year suspension of the net operating loss provisions in current law.
- 6. General Fund savings of \$1.728 billion from the deferral of \$1.047 billion of education expenditures from Fiscal Year 2001-02 to early Fiscal Year 2002-03 and \$681 million of education expenditures from Fiscal Year 2002-03 to early Fiscal Year 2003-04.
- 7. General Fund savings of \$1.083 billion (\$223 million in Fiscal Year 2001-02 and \$860 million in Fiscal Year 2002-03) from the Treasurer's Debt Restructuring Plan to amortize the State's long-term debt to more closely approximate level annual debt service costs rather than the level annual principal. The plan also included the issuance of refunding debt to pay selected maturities of general obligation bonds due between February 2002 and June 2004. The savings identified here are from the first of two phases of refunding bonds; the second phase will reduce costs in Fiscal Year 2003-04.
- 8. Anticipated increases in federal funding for health and human services programs, security/bioterrorism and other areas totaling about \$1.081 billion. It now appears only about \$500 million of these funds will be received.
- 9. Additional revenue of \$1.651 billion in Fiscal Year 2002-03 due to Federal Tax Conformity and Tax Compliance (\$1.081 billion); increasing the withholding on stock option and bonus income from 6% to 9.3% (\$400 million); and suspending the teacher retention credit for one year (\$170 million). Federal Tax Conformity and Tax Compliance includes revenue generated from the following: (a) the conformity of California tax law with federal tax law regarding accounting for bad debt reserves for large banks, (b) the pension and individual retirement account conformity package included in the Governor's Budget, which was passed by the Legislature and signed by the Governor on May 8, 2002, (c) waiving penalties and interest on delinquent accounts, (d) increasing collections activities, (e) ensuring proper auditing of tax credits and (f) improving the effectiveness of the tax protest and settlement programs.
 - 10. Accelerations and transfers from other funds to the General Fund totaling \$1.585 billion.

Other elements of the final budget agreement included an agreement to place a proposed amendment to the State Constitution on the November 2004 ballot, which, if enacted, would require the annual transfer of 1% of General Fund revenues to the Twenty-first Century Infrastructure Fund to fund State and local infrastructure projects, if General Fund revenues meet specified levels and a law requiring spending in the 2003-04 Fiscal Year not to exceed revenues in the year.

Continuing Budget Shortfall. Within a few months after the 2002 Budget Act was adopted, it became evident that economic growth, which had been expected to accelerate in the second half of 2002 and into 2003, was instead remaining stagnant, with net job losses statewide. As a result, revenue projections for Fiscal Year 2002-03 were substantially overstated. On November 14, 2002, the Legislative Analyst issued a report (the "2002 LAO Report") indicating that, absent corrective actions, the General Fund would have a budget deficit of about \$6.1 billion by the end of Fiscal Year 2002-03 (compared to the \$1 billion reserve balance predicted in the 2002 Budget Act) and a cumulative budget deficit over \$21 billion by the end of Fiscal Year 2003-04. Furthermore, even given accelerating economic growth in 2003 and beyond (which is not assured), there would, unless corrective actions were taken, continue to be a substantial deficit between revenues and expenditures, in a potential range from \$12 to \$16 billion annually, through at least Fiscal Year 2007-08.

The principal causes of the continuing fiscal difficulty were identified in the 2002 LAO Report as (i) the use of so many one-time budget solutions to resolve the \$23.6 billion gap in the 2002-03 Budget, without enough emphasis on closing the "structural deficit" between ongoing revenue sources (taxes) and ongoing expenditure commitments, (ii) the likelihood that some of the assumptions in the 2002 Budget

Act would not be met (these two items totaling about \$10 billion), and (iii) a significant downward revision in revenue estimates (totaling about \$11 billion over the two-year period).

In the summer of 2002, the Governor notified all State agencies to prepare Fiscal Year 2003-04 budget proposals for a minimum of 20% cut in funding. On November 21, 2002, the Governor further directed State agencies to take immediate action to reduce any non-critical or non-essential activities by not filling any vacant positions; to cancel, postpone or amend contracts, grants, purchase orders and similar commitments; to eliminate additional non-essential vacant positions; to delay construction or signing of new leases for space; to cancel or postpone non-essential trips; and to generate new proposals for current year program reductions.

Shortly after the 2002 LAO Report was released, the Governor announced that the Administration also projected a substantial budget gap in Fiscal Year 2002-03 and Fiscal Year 2003-04, and he called a special session of the Legislature to begin on December 9, 2002, to consider legislation for mid-year spending cuts and other budgetary actions. In March 2003, the Legislature enacted approximately \$3.3 billion in current-year savings, primarily related to Proposition 98 deferrals, as well as a variety of reversions, cuts and redirections in other programs. In April 2003 the Legislature enacted an additional \$3 billion in budget year savings, including the authorization of \$1.9 billion in pension obligation bonds.

Governor's Budget for Fiscal Year 2003-04. The 2003-04 Governor's Budget released on January 10, 2003 (the "2003-04 Governor's Budget") projected a significant downward revision in State revenues as a result of a longer than expected delay in the economic recovery. The decline was mainly due to weak personal income tax revenues, which dropped by nearly 26% in Fiscal Year 2001-02 and was expected to decline by another 0.5% in Fiscal Year 2002-03. As a result, the Administration projected a \$34.6 billion budget shortfall for Fiscal Years 2002-03 and 2003-04. The 2003-04 Governor's Budget projected revenues from the three largest tax sources to be about \$61.7 billion in Fiscal Year 2002-03, more than \$6 billion lower than projected in the 2002 Budget Act. Most of the decline was attributable to the personal income tax revenues, which were particularly impacted by the stock market's decline. The 2003-04 Governor's Budget projected total revenues and transfers of \$73.1 billion and \$69.2 billion in Fiscal Years 2002-03 and 2003-04, respectively. The estimate for Fiscal Year 2002-03 included about \$2.8 billion of transfers and loans.

The 2003-04 Governor's Budget contained three significant proposals of concern for the County, (i) the proposed realignment of service funding; (ii) ending the vehicle license fee "backfill;" and (iii) specific program and funding changes.

In mid-February 2003, the Board of Supervisors approved a series of recommendations to balance its Fiscal Year 2003-04 budget in light of the proposed State budget shortfalls, including immediate freezes on hiring not related to public health or safety, an end to non-essential travel, and effective April 1, 2003, 10% reductions in departmental net County costs and up to 10% reductions in net County costs for contract services. See "–Recent County General Fund Budgets–Fiscal Year 2002-03."

The 2003-04 May Revision to the Governor's Budget was released on May 14, 2003(the "2003-04 May Revision") and reduced the revenue estimate for Fiscal Year 2002-03 to \$70.8 billion from the 2003-04 Governor's Budget estimate of \$73.1 billion, resulting mostly from loss of \$2 billion of revenues due to the cancellation of the sale of tobacco securitization bonds in April 2003.

As a result principally of the loss of the tobacco securitization proceeds, the lost opportunities for savings because of legislative action in lower amounts than requested by the Governor, and higher than expected caseloads/populations for certain health and social services and correctional programs and required school payments, the 2003-04 May Revision increased the estimated budget gap from \$34.6 billion to \$38.2 billion.

The 2003-04 May Revision addressed the State's budgetary challenges in three phases: *First*: the accumulated budget deficit through June 30, 2003, is funded with the issuance of \$10.7 billion deficit financing bonds, anticipated in 2003-04; *Second*: remaining cuts, savings, fund shifts, transfers and borrowing will balance the budget for Fiscal Year 2003-04; and *Third*: a recognition that the steps taken to bring the 2003-04 budget into balance do not totally solve the underlying "structural deficit" between revenues and expenditures. If no further action is taken (assuming accuracy of revenue and expenditure estimates), there would be an estimated \$7.9 billion operating deficit in Fiscal Year 2004-05. The Governor proposed that the Legislature and Administration address longer-term budget solutions over the balance of the 2003 Legislative session. The Governor did not make specific proposals in the 2003-04 May Revision, but will explore the realignment proposals and other steps. The Governor also recognizes that some budget choices could be placed before the voters in the March 2004 primary election.

2003-04 Budget Bill. On July 29, 2003, the California Assembly approved AB1765 passed by the California Senate on July 27, 2003 (the "2003-04 Budget Bill"). The 2003-04 Budget Bill provides for general fund expenditures of \$70.8 billion in Fiscal Year 2003-04 and reduces the State budget deficit from \$38.2 billion to \$7.9 billion at the end of Fiscal Year 2004-05 primarily through a combination of fund shifts, funding deferrals, program savings, issuance of deficit reduction bonds and other borrowings. The 2003-04 Budget Bill assumes that the increase in vehicle license fees proposed by the Governor, which his being challenged in court, will go into effect on October 1, 2003. Similar to the 2003-04 May Revision, the 2003-40 Budget Bill contemplates a \$10.7 billion bond issue to eliminate the 2002-03 budget deficit but rejects the 2003-04 May Revision's proposal of a temporary one-half cent sales tax to pay for debt service on such bonds. Instead, one-half cent of local sales tax will be shifted to the State to pay for such debt service amounting to \$2.5 billion in Fiscal Year 2004-05, and property tax revenues from the ERAF will be shifted to local governments to offset revenue losses from the sales tax shift. Also similar to the 2003-04 May Revision, the 2003-04 Budget Bill eliminates the vehicle license fee backfill payments from the State, which is projected to reduce revenues to cities and counties by approximately \$825 million, due to the delay in implementation of the increase in VLF fees to October 1 and the elimination of the backfill commencing July 1, 2003. The 2003-04 Budget Bill contemplates that the State will reimburse local governments for this revenue loss by no later than August 2006. The Governor signed the 2003-04 Budget Bill on August 3, 2003.

The County is studying the 2003-04 Budget Bill and has determined some of the impacts it will have on the County (including \$17.58 million in reduced vehicle license fees for general fund purposes; \$2.92 million in suspended transportation funding; \$1.3 million in costs representing the County's portion of federal child support federal automation penalty; \$975,000 in reduced funding for libraries; \$580,000 reduction in vehicle license fee revenues for realignment costs; \$490,000 in redevelopment funds to be transferred to the ERAF), and will make adjustments as may be necessary to its final budget to address these and the other impacts.

Realignment of Human Services Programs. State-County realignment of human services programs and program funding was enacted in 1991. The 1991 realignment replaced dedicated State shares of human service program funding with a one-half cent sales tax and a 20% increase in vehicle license fees. Those revenues replaced State funding, and were allocated to counties from statewide pools by a complex series of formulae. Under the 2003-04 Budget Bill, the percentage of VLF revenues restricted to realignment programs will increase from 24.33% to 28.0%. In addition, counties will pay \$52.1 million of their share representing the child support federal automation penalty, which previously was covered by State discretionary appropriations.

End of Vehicle License Fee Backfill. In Fiscal Year 1991-92, the State and county governments collectively developed a program realignment system to remove State funding for certain programs from the State budget process and, at the same time, give counties enhanced program flexibility in the administration of certain health and welfare programs. Under this plan, the State sales tax was increased by ½ cent and dedicated to the support of specific health and welfare programs administered by counties,

including the County. In addition, vehicle license fees ("VLF") at the time were increased to 2% of the purchase price or depreciated value, as applicable, of each vehicle and this increase was similarly dedicated to supporting these programs. VLF fees have subsequently been reduced, but the amount of reduction has been "backfilled" by the State from general fund revenues (the "State Backfill"). Counties received the ½ cent sales tax on a fixed formula under State law and the flow of these funds were no longer subject to the State budget process. The program shifted approximately \$2.2 billion out of the State budget process.

From Fiscal Year 1998-99 to 2002-03, there has been a 65% reduction in the actual VLF charged to vehicle owners. The VLF collected by the State is allocated to cities and counties as general purpose financing. When the State acted to reduce the fees, the potential impact would have been felt by counties and cities and not the State. However, since the VLF reductions were first enacted, the State has made up the revenue impact of the VLF rate reductions with the State Backfill, VLF revenue allocations to counties and cities continued as if there was no reduction. Under the 2003-04 Budget Bill, the County will no longer receive the State Backfill portion of the monthly VLF payments. The total VLF budget for the County for the Fiscal Year 2002-03 is \$62 million, with \$42 million being State Backfill.

The State Backfill was suspended effective July 1, 2003, based on the assumption that an increase in the VLF to its earlier 2% level will be triggered by the "insufficient moneys" provision of the law that reduced these fees (the "VLF Trigger").

For the 2003-04 Fiscal Year, the estimates for VLF revenue for the County are \$68 million (9% growth), including \$46 million in State Backfill. For the coming Fiscal Year, the State Backfill would have amounted to 18% of all the general purpose financing projected to be available in the General Fund.

On June 20, 2003 the VLF Trigger was pulled resulting in the cessation of the State Backfill to cities and counties and a restoration of the VLF to its former 2% level, effective October 1, 2003. During the roughly 90-day period between the date the State Backfill ceased and the VLF increase becomes effective, local governments will only receive revenues based upon 0.65% of the VLF rate. This "lost" amount represents approximately \$17.8 million to the County and is not expected to be repaid by the State Controller, without interest, until August 15, 2006. The restoration of the VLF to its former level has been challenged in court by the Howard Jarvis Taxpayers Association.

Other State Budget Provisions. The 2003-04 Budget Bill contains other provisions which have a negative fiscal impact on the County, the magnitude of which is currently unknown. These include losses of certain court fee revenue; decreases in Medi-Cal provider rates; cuts in human services programs, increased County fees for use of the California Youth Authority and deferred State reimbursements for State mandated programs. If any of the deficit financing bonds, pension obligation bonds (which have been challenged in court by the Howard Jarvis Taxpayer's Association) or tobacco securitization bonds (currently contemplated to offset approximately \$14 billion of the State's deficit) are delayed or fail to get completed, or if the State's cash short-term cash flow borrowing is not timely completed, or if new federal funds, other program savings and revenue sources assumed in the 2003-04 Budget Bill are not realized by the State, the impact on the County could be severe and would require the County to make further adjustments to its adopted budget.

Timely State Action. The timing of State budget actions may negatively impact the ability of the County to adjust to State budget actions. The Legislature very rarely sends a budget to the Governor by the statutory June 15th deadline. In the past decade, the State budget has been adopted as late as early September on two separate occasions, including the budget for the 2002-03 Fiscal Year. When the State budget is adopted well after the official deadlines, the County's own budget decision making process becomes compressed. Adjustments to correspond to State actions may come well after the start of the fiscal year. Given the magnitude of the State's current budget crisis, and the large level of State funding in the County budget, the County will need to take corrective budget actions after adoption of its budget.

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that the State Controller may not disburse funds in the absence of a final budget bill or an emergency appropriation, except when payments are made pursuant to continuing appropriations authorized by the California Constitution, statutes or other provisions of law, the Federal Labor Standards Act and certain other federal funding mandates. The Supreme Court has granted the Controller's Petition for Review (Case No. S108099, also referred to by the Court as *White v. Davis*) on a procedural issue unrelated to continuing appropriations and stayed the trial court injunction. On May 1, 2003, the Supreme Court ordered that the decision of the Court of Appeal upholding the authority of the Controller to make payments pursuant to the continuing appropriations during a budget impasse be published thus providing valid legal precedent on this issue. The decision of the Supreme Court became final on June 2, 2003.

Future State Budgets. The County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control.

California Energy Markets Disruption

Development of the Power Supply Program. In January 2001, Governor Davis determined that the electricity available from California's utilities was insufficient to prevent widespread and prolonged disruption of electric service in California, proclaimed a state of emergency to exist under the California Emergency Services Act, and directed the Department of Water Resources ("DWR") to enter into contracts and arrangements for the purchase and sale of electric power as necessary to assist in mitigating the effects of the emergency (the "Power Supply Program"). The Power Supply Program has also been implemented under legislation enacted in 2001 (Statutes of 2001, First Extraordinary Session, Chapters 4 and 9, the "Power Supply Act") and orders of the California Public Utilities Commission ("CPUC").

Financing the Power Supply Program. The DWR borrowed money from the State General Fund for the Power Supply Program between January and June 2001. DWR issued approximately \$11.25 billion in revenue bonds in several series and in fall 2002 used the net proceeds of such revenue bonds to repay outstanding loans from banks and commercial lenders in the amount of approximately \$3.5 billion and a loan from the State General Fund in the amount of \$6.1 billion, plus accrued interest of approximately \$500 million.

The loans from the State General Fund and the banks and commercial lenders financed the costs of the Power Supply Program during 2001 that exceeded DWR's revenues from the sale of electricity. The general purpose of the Power Supply Program has been to provide to customers of the three major investor-owned electric utilities in the State (the "IOUs") the portion of their power not provided by the IOUs. The Power Supply Program has become self-supporting and no additional loans from the State General Fund are authorized. As of January 1, 2003, the DWR's authority to enter into new power purchase contracts terminated and the IOUs resumed responsibility for obtaining electricity for their customers.

Effect on the County. These developments at the State level may, in turn, affect local governments. The County receives approximately 12% of its general fund revenues from property taxes and a significant portion of the balance of its revenues is provided by the State. The weakened financial situation of the investor-owned utilities ("IOUs") could cause a failure or delay by the IOUs to pay real property taxes or other payments due or allocable to the County. The County is served by Pacific Gas & Electric Company ("PG&E"), which is the County's fourth largest taxpayer. On April 6, 2001 PG&E filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. On May 16, 2001, the

Bankruptcy Court ruled that PG&E could pay its outstanding property taxes and such payment was made to the County. PG&E has paid the County both installments of its property taxes as well as any tax penalties and fees for the tax years 2000-01 and 2001-02. PG&E is current on its obligations for the 2002-03 tax year. No assurance can be given that PG&E will continue to pay its property taxes in a timely manner. See APPENDIX A—"GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION—Major Employers" and "—The Teeter Plan." In addition, no assurance can be given that voluntary or involuntary bankruptcy proceedings will not be commenced by or against PG&E.

Recent Market Conditions. The County is one of several agencies that have joined together in a power pool or consortium to purchase natural gas. The goal of the power pool is to achieve price stability and cost savings. This is reflected in the County's current purchasing strategy, which is to purchase natural gas at the lowest reasonable cost while taking advantage of longer-term contracts in order to stabilize prices. Fifty percent of the County's current annual gas requirements are purchased in a three-year, fixed-price contract; 20% of its needs are purchased in one year, "participating" fixed-price contracts; and the remaining 30% of the County's annual gas needs are purchased on a NYMEX index that will float with the monthly spot price of gas.

To date, the County has not experienced power shortages; however, any future temporary reduction or loss of power could materially adversely affect the operations of the County.

Williams Settlement and Energy Efficiency Improvement. In December, 2002 the Board of Supervisors approved a settlement (the "Settlement") with the Williams Companies that was negotiated by the State Attorney General's Office. The Settlement will result in \$3.5 million in new revenue to the County between FY 2002-2003 and FY 2006-2007. These funds are restricted by terms of the Settlement to uses that promote alternative energy production or improved energy efficiency in County facilities. The County has embarked on a strategic planning effort to maximize energy efficiency improvements and associated energy cost reductions that can be achieved through use of the Settlement funds. To this end, the County has hired the engineering firm of AEPC, San Ramon, California, to provide energy consulting services and deliver a report to the County recommending energy efficiency improvement measures.

County Budget Process

The County is required by State law to adopt a balanced budget by August 30 of each year, although the Board of Supervisors may, by resolution, extend the date on a permanent basis or for a limited period, to October 2. The County's budget process involves a number of steps.

First, upon release of the Governor's Proposed Budget in January, the County Administrator prepares a preliminary forecast of the County's budget based on current year expenditures, the assumptions and projections contained in the Governor's Proposed Budget and other projected revenue trends.

Second, the County Administrator presents the County's Proposed Budget to the Board of Supervisors. Absent the adoption of a final County budget by June 30, the current existing budget is continued into the new fiscal year until a final budget is adopted.

Third, between January and the time the State adopts its own budget, legally due no later than June 15, representatives of the County Administrator monitor, review and analyze the State budget and all adjustments made by the State legislature. Upon adoption of the final State budget, the County Administrator recommends revisions to the County's Proposed Budget to align County expenditures with approved State revenue. After conducting public hearings and deliberating the details of the budget, the Board of Supervisors adopts the County's Final Budget by August 30, or by October 2 if the Board of Supervisors has adopted a resolution to extend the deadline.

The County adopted its Fiscal Year 2003-04 Adopted Budget on June 24, 2003, ahead of the legal deadline.

In order to ensure that the budget remains in balance throughout the fiscal year, the County Administrator monitors actual expenditures and revenue receipts each month. In the event of a projected year-end deficit, steps are taken, in accordance with the State Constitution, to reduce expenditures. On a quarterly basis, the County Administrator's staff prepares a report that details the activity within each budget category and provides summary information on the status of the budget. Actions that are necessary to ensure a healthy budget status at the end of the fiscal year are recommended in the quarterly budget status reports. Other items which have major fiscal impacts are also reviewed quarterly. The County's ability to increase its revenues is limited by State laws that prohibit the imposition of fees to raise general revenue, except to recover the cost of regulation or provisions of services. See "Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations" in the forepart of this Official Statement.

From Welfare to Work. In Fiscal Year 1994-95, 4,600 single adults and 14,977 families were on welfare (based upon the Fiscal Year 1994-95 average monthly caseload) in the County. In Fiscal Year 2001-02, that number was only 467 single adults and 8,170 families (based upon the Fiscal Year 2001-02 average monthly caseload). This dramatic decline, 56% overall, was in part due to a County adult work and employment program, and to State and federal policies which set time limits on cash assistance and created a new "welfare-to-work" system.

The federal government and the State have been the driving forces of change in development of the current system. In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (the "Welfare Reform Act"), which placed a five-year lifetime limit on cash welfare benefits and expanded the scope of the program to include supportive services for achieving economic self sufficiency. In California, the Welfare Reform Act has been implemented under the California Work Opportunity and Responsibility to Kids Act ("CalWORKs"), which sets the parameters under which counties provide welfare services, including cash benefits and supportive services. In California, welfare recipients are eligible for up to two years of welfare-to-work services, specifically designed to help the transition from welfare to work. In 1998, Congress also passed the Workforce Investment Act, which reorganized federal funding for job training employment services, broadened the program to include services for the welfare population and required consolidation of employment services to one stop employment centers.

Employment and Human Services Department. In 1998, the Board of Supervisors created the Employment and Human Services Department (the "Department"), a merger of the County's Social Service Department and the Private Industry Council. In Fiscal Year 2002-03, the Department's recommended budget was \$254.8 million, with a net County cost of \$31.7 million. Overall, the Department's recommended budget increased \$111.55 million, while reliance on County General Funds has increased only \$4.29 million from Fiscal Year 1994-95 to Fiscal Year 2002-03. For Fiscal Year 2001-02, the Department claimed a year-end General Fund surplus of \$0.8 million. The Department projects a larger year end fund balance due to State reallocations and lowered costs during Fiscal Year 2002-03.

<u>Welfare Caseloads</u>. The CalWORKs caseload is projected to be 7,907 in Fiscal Year 2002-03, down from 8,770 in Fiscal Year 2001-02 and a high of 14,977 cases in Fiscal Year 1994-95. The decline of the CalWORKs caseload has left the Department with a remaining caseload increasingly concentrated with individuals experiencing severe barriers to employment such as mental illness and substance abuse. The Department has implemented a collaborative effort with the County's Health Services Department to provide specialized services to these program participants that will assist them in overcoming their barriers to employment.

Health Care Funding. The County has the responsibility for providing health care to all individuals, regardless of their ability to pay or insurance status. In recent years, it has become more and more difficult to meet this obligation as an "open door safety net provider" due to declining and inadequate federal and State health care reimbursement and non-payment by the uninsured coupled with rising service needs and costs of an older and sicker population which has placed significant demands on the County's health care system. The Health Services Department has taken aggressive steps to eliminate the gap between revenue and expenditures in the health care system through a combination of revenue enhancements and operational efficiencies.

<u>Cost Reduction</u>. In order to ensure a balanced budget, the Health Services Department has reevaluated its cost containment program and restructured its supply management program, pharmacy formulary, and employee skill mix in all programs. As a result of these efforts, the Department was able to restrict the annual growth in total expenditures to under 2%, significantly less than the growth rate in both the Consumer Price Index and the Medical Care Price Index.

<u>Revenue Enhancement</u>. The Board of Supervisors affirmed its support for the Health Services Department by allocating to its budget all of the \$10.9 million in revenues arising from the Tobacco Master Settlement Agreement in Fiscal Year 2002-03. The settlement funds are directed solely for the provision of care to uninsured adults and children. In addition, the Health Services Department has been successful in qualifying all of its 14 outpatient hospital clinics as "Federally Qualified Health Centers." Such qualification entitles the Health Services Department to receive increases estimated to be \$5 million in Fiscal Year 2003-04 to reimburse outpatient services.

<u>Fiscal Year 2002-03 Status</u>. The Health Services Department fully implemented its budget-balancing program for Fiscal Year 2002-03 and is projected a year end operating surplus of \$550,000 (all funds).

The State recently received approval, after over a year of negotiations with the Federal government, for continuation of the Selective Provider Contracting Waiver Program (SPCP). The State uses some of its SPCP savings to provide additional supplemental funding (in an amount equal to 150% of current rates) to hospitals that serve a greater than average number of indigent and State Medicaid (Medi-Cal) patients pursuant to criteria established by the State through the Disproportionate Hospitals Program. While the 150% upper payment limit benefit is no longer permanent, it appears that the federal government will continue this benefit at least for the next two years. The Regional Medical Center budgeted \$6 million in annual supplemental payments which was received prior to the end of Fiscal Year 2002-03.

Last year, the Health Services Department drafted and proposed legislation to the State Department of Health Services for an Intergovernmental Transfer Program for Safety Net Hospitals that contract with local managed care plans. Because of the SPCP waiver negotiations, the State could not support the proposal at that time. The State has since evaluated the concept, received federal approval without the need for legislation, and is moving forward to implement the program on a Statewide basis. While the full details of the implementation plan are not known at this time, it is anticipated that the net benefit to the Regional Medical Center will be in the range of \$2 to \$3 million annually, including approximately \$1.3 to \$1.9 million in the current budget year. If the State enacts this program as anticipated, the net proceeds of this action will be additive to the current projected operating surplus.

The Board of Supervisors approved six months of funding in the amount of \$1.1 million for expansion of 24-hour medical care coverage in West County for medical services to inmates of the County Detention Center. Due to recruitment difficulties, the Board of Supervisors authorized a request for proposals to identify an outside agency to perform the services. Bids were received from three vendors. Following a review of the submitted bids, which ranged from \$2.65 to \$2.85 million, the Health Services Department determined that it was more cost effective for it to provide the services. On June 2,

2003, the Board of Supervisors approved the hiring of additional medical staff for the County Detention Center at an estimated annual cost of \$750,000.

Trial Court Funding

Assembly Bill 233 ("AB 233"), which was adopted by the State Legislature in 1997 and became effective January 1, 1998, transferred responsibility from the counties to the State for local trial court funding commencing in Fiscal Year 1997-98. Under the legislation, the State assumed a greater degree of responsibility for trial court operations costs starting in Fiscal Year 1997-98. The County's trial court funding requirement declined from \$22.8 million in Fiscal Year 1997-98 to \$16.4 million in Fiscal Year 2002-03 as a result of AB 233.

The County will continue to be obligated to provide court facilities for all judicial officers and support positions authorized prior to July 1, 1996. This includes those judicial officers and positions which replace those officers and positions created prior to July 1, 1996. However, AB 233 does not require that the County finance new capital facility expenditures related to judicial officers and support staff required for any judgeships authorized during the period from January 1, 1998 to June 30, 2001. The final decision as to who will finance new capital facility expenditures related to this period of time and into the future has been evaluated by a State task force (the "State Task Force"). Senate Bill 1732 approved by the Governor on September 29, 2002 ("SB 1732") creates a new fund, the Court Facilities Trust Fund, for the deposit of county payments for operation and maintenance of the transferred facilities, with a formula for each county's payment, and for the deposit of new monies raised through various fee increases and fine and penalty surcharges. This trust fund would be the source of funding for the costs of implementing the recommendations of the State Task Force on Court Facilities vis-à-vis repairs, modifications, renovations and construction of facilities.

Workers' Compensation Costs

Workers' compensation claims costs throughout the State have been rising steadily since 1997. The County paid \$13.1 million in workers' compensation benefits and \$1.3 million in salary continuation payments in Fiscal Year 1999-00. For Fiscal Year 2000-01, the amounts were \$14.8 million and \$1.1 million, respectively; and for Fiscal Year 2001-02 they were \$18.2 million and \$1.3 million, respectively. While the number of claims has remained relatively constant since 2000, the cost per claim has been increasing substantially. As a result, actuarial reserves for future workers' compensation claims were adjusted significantly upward at the end of Fiscal Year 2001-02 to reflect the anticipated increased costs. See also "—Insurance and Self-Insurance Programs."

The workers' compensation program of the County is self-insured and self-administered, and as mandated by State law, provides monetary benefits to minimize the economic losses suffered by injured workers, or their dependents, due to work-related injuries, illnesses or death. In addition, the County provides enhanced benefits to certain of its employees pursuant to various Memoranda of Understanding and Management Regulations, including salary continuation, and paid time off, up to three hours per day, to attend medical appointments.

Assembly Bill 749 ("AB 749"), which became effective on January 1, 2003, provides for, among other things, increased temporary disability benefits from a maximum of \$490 per week to \$602 per week, increased permanent partial disability and death benefits, and additional increases which are phased in over several years. AB 749 also revises the computation of the permanent disability benefit by increasing the number of weeks for injuries occurring on or after January 1, 2004. As a result, the costs to the County to provide workers' compensation benefits in the future will continue to increase.

In order to clarify the ongoing responsibilities of the County under current State law and to identify methods to decrease or at least slow the rate of increase in workers' compensation benefits, the Board of Supervisors requested that the Risk Management Division of the Office of the County Administrator prepare a report on the County's Workers' Compensation Program (the "Report"). The Report, dated March 27, 2003, included recommendations (the "Recommendations") to maximize cost reductions in the program and provide the County with a comprehensive solution to address the key cost factors identified therein. The Report was presented to and adopted by the Board of Supervisors on April 1, 2003. The Recommendations adopted by the Board of Supervisors directed the County Administrator to plan and budget for a comprehensive, Countywide, injury prevention and ergonomic program; and implement a plan to assume responsibility for directing medical care for injured employees during the first 30 days following a claimed industrial injury; prepare a proposal for an occupational medical program. In addition, the County has implemented a new program to more efficiently handle and close workers' compensation claims.

Effective July 1, 2003, County employees working for the court system became State employees and are no longer covered by the County's workers' compensation insurance program or retirement program.

Recent County General Fund Budgets

Set forth below is a description of the County's comparative budgetary and expenditure experience for Fiscal Years 2000-01 through 2002-03. For a summary of the actual audited financial results of the County for Fiscal Year 2001-02, see "AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2002" in Appendix C to this Official Statement.

Fiscal Year 2000-01. The County's Fiscal Year 2000-01 Final Adopted Budget was 4% larger than the prior fiscal year. Salary and benefit increases accounted for the largest share of the increased costs. Capital projects and building maintenance costs represented a smaller portion of the increase.

Fiscal Year 2001-02. The County's Fiscal Year 2001-02 Final Adopted Budget was 16.0% higher than the prior fiscal year's Final Adopted Budget. Major cost increases were the result of salary and benefit adjustments and rising energy costs.

The budget was balanced through a measured strategy aimed at avoiding disruption of delivery of services. The specific elements of that strategy are presented below:

- 1. Conservation of fund balance by placing a freeze on the funding of new positions in April 2001 and subsequently implementing a hiring freeze in May 2001.
- 2. Reductions in one-time costs associated with facilities, equipment purchases, computer systems and other non-continuing expenses.
- 3. Aggressive limits in budget baseline inflationary increases, such that increases are allowed only for prearranged or unavoidable items, such as salary and benefit growth, energy costs, facility lease increases and information technology adjustments.
- 4. Reductions in department baseline budgets through tighter control over vacancies.

Fiscal Year 2002-03. The County's Fiscal Year 2002-03 Final Adopted Budget was 4% higher than the Final Adopted Budget for the prior Fiscal Year due primarily to salary and benefit increases and road construction projects. In October 2002, all County Departments were requested to plan for a budget reduction in the amount of 10% in order to conserve fund balances and avoid later layoff as a result of projected shortfalls in General Fund revenues. In March 2003, the Board of Supervisors adopted a budget plan calling for County departments to implement budget reductions necessary to achieve a 10% reduction in the County's general purpose spending. This plan became effective April 1, 2003 and will produce estimated savings of approximately \$1.9 million in Fiscal Year 2002-03 and approximately \$24.1 million in savings and new revenue sources through the end of Fiscal Year 2003-2004.

A comparison of the County's General Fund budgets for Fiscal Years 2001-02, 2002-03 and 2003-04 is shown in Table B-1 below.

Table B-1
COUNTY OF CONTRA COSTA
GENERAL FUND BUDGET
FOR FISCAL YEARS 2001-2002 AND 2002-03⁽¹⁾
(\$ IN 000'S)

			Adjusted	
	Final Adopted	Final Adopted	Adopted	Adopted
	Budget	Budget	Budget	Budget
	2001-02	<u>2002-03</u>	$2002-03^{(2)}$	$2003-04^{(3)}$
<u>REQUIREMENTS</u>				
General Government	\$156,436	\$135,431	\$187,642	\$138,447
Public Protection	291,794	322,257	323,041	333,329
Health and Sanitation	211,849	233,783	234,018	242,461
Public Assistance	329,243	336,287	340,494	343,579
Education	18,050	20,271	20,328	18,933
Public Ways and Facilities	52,291	63,067	62,982	54,079
Recreation and Culture	1	1	1	1
Reserves and Debt Service	14,706	13,706	13,706	12,206
TOTAL REQUIREMENTS	\$1,074,370	\$1,124,803	\$1,182,212	\$1,143,035
AVAILABLE FUNDS				
Property Taxes	\$123,307	\$136,445	\$136,445	\$149,254
Fund Balance Available	93,051	103,633	104,438	60,321
Other Taxes	15,222	15,966	15,986	23,015
Licenses, Permits and Franchises	18,161	23,151	23,346	25,856
Fines, Forfeitures and Penalties	13,431	13,346	13,346	14,944
Use of Money and Property	12,649	9,887	9,906	6,545
Intergovernmental	549,068	562,897	592,007	568,998
Charges for Current Services	162,164	164,967	170,868	193,172
Other Revenue	87,317	94,536	116,055	100,930
TOTAL AVAILABLE FUNDS	\$1,074,370	\$1,124,803	\$1,182,212	\$1,143,035

This table presents budget information for the General Fund, Library Fund, Land Development Fund and Child Development Fund.

Source: County Auditor-Controller.

⁽²⁾ Final Adopted Budget 2002-03, as adjusted through March 12, 2003.

The Fiscal Year 2003-04 Recommended Budget does not include estimated fund balance for funds other than the General Fund. Therefore, Fund Balance Available is likely to be understated in Fiscal Year 2003-04 Recommended Budget. The County anticipates that actual Fund Balance Available for Fiscal Year 2003-04 will be approximately \$83,000,000 based on historic levels of fund balance in all funds. See also "-Adopted Budget for Fiscal Year 2003-04."

Adopted Budget for Fiscal Year 2003-04

The County accelerated the budget development process for Fiscal Year 2003-04 by several months to meet the challenge of a local budget shortfall, projected in October 2002, to be \$50 million. The shortfall was addressed by a 10% net County cost reduction of all General Fund Departments and programs which is expected to result in an overall reduction of expenses and new revenue sources in the aggregate amount of approximately \$24.1 million in Fiscal Year 2003-04.

The local budget shortfall is currently estimated to be \$54.5 million. The County Administrator's Fiscal Year 2003-2004 Adopted Budget (the "Adopted Budget") was adopted by the Board of Supervisors on June 24, 2003 and is based upon anticipated growth in general purpose revenues of \$34.2 million, offset by anticipated declines in federal and State program revenues of \$24.5 million, resulting in a Adopted Budget that includes expenditure reductions of 2.4% (\$26.6 million) compared to Fiscal Year 2002-03. The Adopted Budget contains a combination of measures that achieve a balanced budget while maintaining the quality of public services. The expenditure reduction measures in the Adopted Budget include the elimination or freezing of 121 funded full-time equivalent positions (approximately \$11.3 million), elimination of non-essential travel and other one-time cost reduction measures (approximately \$11.7 million), reduced cost estimates (approximately \$5.1 million) and refinancing the County's unfunded pension liability through the issuance of pension obligation bonds (approximately \$20 million). The new revenue sources consist of increases in fees and charges (approximately \$1.1 million) and one-time revenues and fund transfers (approximately \$5.3 million).

On July 11, 2003, the County Administrator requested the heads of departments in the County to reduce net County costs by an additional 5% (approximately \$13.6 million) due to the anticipated loss of VLF amounts (approximately \$12.3 million) (see "–End of Vehicle License Fee Backfill") and the payment by the County of its share of a penalty (approximately \$1.3 million) imposed on the State by the federal government for failure by the State to implement an automated Statewide child-support payment system. The 5% net County cost reduction, as well as other cost reduction measures proposed by the County Administrator, will be considered by the Board of Supervisors on August 12, 2003, and if approved, would be effective on October 1, 2003.

The final phase of the budget development process involves adjusting the budget to accommodate State budget impacts and the costs of the recall election (approximately \$1.5 million) scheduled for October 7, 2003. It is anticipated that State revenue reductions or costs shift issues will be handled in the July through September 2003 time period.

Ad Valorem Property Taxes

The County administers the property tax levy and collection system for the County and all local governments in the County. Taxes are levied for each fiscal year on taxable real and personal property that is situated in the County as of the preceding January 1. 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 property secured by a lien on real property which is sufficient, in the opinion of the Assessor, 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 attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one half percent per month to the time of redemption. If taxes are

unpaid for a period of five years or more, the tax-defaulted property is declared to be subject to the Treasurer's power of sale and may be subsequently sold by the Treasurer.

Legislation established the "supplemental roll" in 1984, which directs the Assessor to re-assess real property, at market value, on the date the property changes ownership or upon completion of construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered.

Billings are made on a monthly basis and are due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on December 10 and the second on April 10. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue beginning November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) by filing a civil action against the taxpayer; (2) by filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) by filing a certificate of delinquency for recordation in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) by the seizure and sale of personal property, improvements or possessory interest, belonging to the taxpayer.

The County and its political subdivisions operate under the Teeter Plan pursuant to provisions of Sections 4701-4717 of the California Revenue and Taxation Code. See "–The Teeter Plan." Pursuant to those sections, the accounts of all political subdivisions that levy taxes on the County tax rolls are credited with 100% of their respective tax levies regardless of actual payments and delinquencies. The County Treasury's cash position (from taxes) is protected by a special fund (the "–The Teeter Plan–Tax Losses Reserve Fund") into which all County-wide delinquent penalties are deposited. The County has used this method since Fiscal Year 1950-51.

In Fiscal Year 2002-03, major property tax assessment appeals by businesses, the oil industry and power plants total an aggregate of \$2.183 billion in disputed value, with potential loss of revenue in the millions to various units of County local government. Of the total amount, approximately \$539 million is attributable to appeals by oil refineries pertaining to assessments through the Fiscal Year 2002 tax roll; and approximately \$1.2 billion is attributable to appeals by 11 power plants pertaining to assessments for the Fiscal Year 2001 and 2002 tax rolls with respect to 10 of the power plants, and for the Fiscal Year 2000 tax roll with respect to the remaining power plant. Heavy industry accounts for 14.44% of the collected property taxes in the County.

The County incorporated \$800,000 of property tax revenue adjustments in its Fiscal Year 2002-03 budget as a precaution against potential assessment appeal decisions.

A recent history of County tax levies, delinquencies and the Tax Losses Reserve Fund cash balances as of June 30th is shown in Table B-2 below.

Table B-2
COUNTY OF CONTRA COSTA
SUMMARY OF ASSESSED VALUATIONS AND AD VALOREM PROPERTY
TAXATION FOR FISCAL YEARS 1992-93 THROUGH 2002-2003

			Portion of		Balance in
			Current Levy	% Levy	Tax Losses
Fiscal Year	Assessed	Secured Property	Delinquent at	Delinquent at	Reserve Fund at
(June 30)	Valuation ⁽¹⁾	Tax Levies	June 30	June 30	June 30
1992-93	\$61,393,320,088	760,559,294	24,239,204	3.19	29,042,152
1993-94	63,427,696,578	794,435,830	20,652,106	2.60	31,225,565
1994-95	65,294,364,749	823,495,651	20,640,379	2.51	24,709,211
1995-96	67,146,461,590	854,519,586	18,296,237	2.14	18,670,811
1996-97	69,242,099,630	869,580,974	18,057,023	2.08	17,154,539
1997-98	70,314,800,892	892,581,453	15,547,736	1.74	19,508,732
1998-99	73,699,554,452	939,437,116	15,375,159	1.64	21,322,269
1999-00	78,346,533,416	981,579,866	15,904,158	1.62	22,826,720
2000-01	84,627,977,952	1,062,831,354	16,738,410	1.57	24,247,987
2001-02	93,490,199,701	1,187,173,140	20,551,776	1.73	27,032,058
$2002-03^{(2)}$	100,925,700,794	1,237,603,934	N/A	N/A	N/A

⁽¹⁾ Reflects assessed value for real and personal property less exemptions.

Source: County Auditor-Controller.

The Teeter Plan

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is set forth in Sections 4701-4717 of Revenue and Taxation Code of the State of California (the "Law"). The name "Teeter" refers to the then Auditor-Controller of the County, Desmond Teeter, who originated this method of tax distribution. Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes are distributed to taxing agencies within the County included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided. While the County bears the risk of loss on delinquent taxes that go unpaid, it benefits from the penalties associated with these delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk. The constitutionality of the Teeter Plan was upheld in *Corrie v. County of Contra Costa*, 110 Cal. App. 2d 210 (1952). The County was the first Teeter Plan county in the State.

Tax Losses Reserve Fund. Pursuant to the Law, the County is required to establish a tax losses reserve fund (the "Tax Losses Reserve Fund") to cover 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). During each fiscal year, the Tax Losses Reserve Fund is reviewed and when the amount of the fund exceeds certain levels, the excess may be credited to the County General Fund as provided by Sections 4703 and 4703.2 of the California Revenue and Taxation Code. State law allows any county to draw down their tax losses reserve fund to a balance equal to (i) one percent of the total of all taxes and assessments levied on the secured roll for that year, or (ii) 25% of the current year delinquent secured tax levy. The reductions in the County's Tax Losses Reserve Fund balances from Fiscal Year 1994-95 through Fiscal Year 1996-97 reflected multiple reductions in minimum reserve requirements legislated

⁽²⁾ Estimated.

over that period. The impact of these reductions was to allow increased credits to the County General Fund. No other material drawdowns have occurred.

As of June 30, 2002, the balance in the Tax Losses Reserve Fund was \$27.032 million. Approximately \$7.389 million of the reserve was transferred to the County's General Fund for Fiscal Year 2002-03 and Fiscal Year 2001-02. Approximately \$8.7 million of the reserve is expected to be transferred to the County's General Fund for Fiscal Year 2003-04. In addition, pursuant to the Law, the County has established a tax resources account to compensate for delinquencies that may occur as a result of uncollected current property taxes.

On April 6, 2001, PG&E, one of the largest taxpayers in the County, filed for voluntary protection under Chapter 11 of the federal Bankruptcy Code. The bankruptcy proceedings (the "PG&E Bankruptcy") are pending in U.S. Bankruptcy Court in San Francisco, California. During the PG&E Bankruptcy, PG&E's operations will continue under current management, while the Bankruptcy Court decides on the allocation of PG&E's available cash flow assets among its various creditors. PG&E has paid the County both installments of its property taxes as well as any tax penalties and fees for the tax year 2001-02 and is current on its obligations for the 2002-03 tax year. There is no guarantee that PG&E will make its future property tax payments to the County, in which case the County would potentially need to draw amounts from its tax resources account to cover losses. Bankruptcies involving large and complex companies typically take several years to reach a conclusion. PG&E's parent company has not filed for bankruptcy protection.

Principal Taxpayers. The ten principal taxpayers in the County, as shown on the Fiscal Year 2002-2003 secured tax roll, and the approximate amounts of their property tax payments are shown below. These ten taxpayers paid a total of \$98.43 million in taxes, or about 8.12% of the County's 2002-2003 secured tax collection.

Table B-3
COUNTY OF CONTRA COSTA
TEN PRINCIPAL PROPERTY TAXPAYERS
FISCAL YEAR 2002-03

			% of Total
		Total Taxes Paid	County
Company	Type of Business	2002-2003	Tax Roll ⁽¹⁾
Chevron Texaco Corp.	Petroleum Refining	\$28,530,367.58	2.35%
Equilon Enterprises LLC	Petroleum Refining	16,512,260.44	1.36
$PG\&E^{(2)}$	Utility	10,066,896.34	0.83
SBC (Pacific Bell Wireless)	Utility	9,420,929.38	0.78
Conoco Phillips (Tosco/Ultramar)	Petroleum Refining	7,871,507.85	0.65
Mirant Delta (formerly Southern Energy) ⁽³⁾	Utility	7,627,243.84	0.63
Seeno Enterprises ⁽⁴⁾	Real Estate	5,420,852.00	0.45
Tesoro Petroleum	Petroleum Refining	5,256,961.94	0.43
WFB Real Estate	Real Estate Financing	4,555,562.79	0.38
GMAC Commercial Mortgage Corp.	Real Estate Financing	4,469,559.73	0.37
TOTAL TEN LARGEST TAXPAYERS		\$99,732,141.89	8.23%
All Others	Various	1,118,815,104.44	<u>92.35</u>
TOTAL		\$1,211,547,246.33	100.00%

⁽¹⁾ Column does not total due to rounding.

Source: County Treasurer-Tax Collector.

PG&E filed for bankruptcy protection on April 6, 2001. PG&E has paid all of its taxes due. See "California Energy Markets Disruption–Effect on the County" and "The Teeter Plan."

Mirant Corporation filed for reorganization under Chapter 1 of the United States Bankruptcy Code on July 14, 2003.

⁽⁴⁾ Includes Seecon, Discovery Builders, Inc., Sierra Pacific/West Coast.

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 State Board of Equalization (the "SBE") and taxed locally. Property valued by the SBE 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 2.27% of the County's total net assessed valuation constitutes property subject to State assessment by the SBE, for which approximately \$22,078,000 of property taxes were levied in Fiscal Year 2002-03. The portion of Fiscal Year 2002-03 taxes collected through the SBE assessment methodology attributable to the County General Fund is \$5,484,908.

Assembly Bill 81 (California Legislature 2001-2002 Regular Session), provides that commencing with the January 1, 2003 property tax lien date, the SBE will assess certain electric generation facilities. The legislation provides that the assessed value and revenues derived from such assessed property will be allocated to local jurisdictions in the same manner as locally assessed property based on the location of the property and not under the unitary property formulae. Currently, there are two power plants located in the unincorporated area of the County, within the spheres of influence of the cities of Antioch and Pittsburg. The annual aggregate property tax and franchise fees from these two facilities range from \$5 million to \$8 million based on the current fiscal year. If annexed by the respective cities, County revenues from these power plants would be subject to an agreement between each respective city and the County.

Currently, the City of Pittsburg is considering annexation of the power plant within its sphere of influence. The City of Pittsburg and the County are negotiating an agreement, which in concept will allow the County to retain all franchise fees (approximately \$35,000 annually) and natural gas surcharge fees (approximately \$2.5 million annually) related to the power plant while the City of Pittsburg will receive revenues related to future development of adjacent parcels. The final agreement will require approval by the Pittsburg City Council and the Board of Supervisors before it becomes effective.

In addition, the California electric utility industry is currently undergoing significant changes in its structure and in the way in which components of the industry are or are not regulated. The County is unable to predict the impact of these changes on its utility property tax revenues, or whether further legislation may be proposed or enacted in response to industry restructuring, or whether any future litigation may affect, for example, methods of assessing utility property and the allocation of assessed value to or among local taxing agencies.

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Redevelopment Agencies

The California Community Redevelopment Law authorizes city or county redevelopment agencies to issue bonds payable from the allocation of tax revenues resulting from increases in full cash values of properties within designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues only on the "frozen" tax base. The following Table B-4 shows redevelopment agency full cash value increments and tax allocations for agencies within the County.

Table B-4
COUNTY OF CONTRA COSTA
COMMUNITY REDEVELOPMENT AGENCY PROJECTS
FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS (1)
FISCAL YEARS 1993-94 THROUGH 2002-03

_]	Fiscal Year	Base Year Value	Full Cash Value Increment (2)	Total Tax Allocations (3)
	1993-94	\$1,864,029,147	\$5,236,543,696	\$55,748,579
	1994-95	2,715,784,139	5,320,724,209	56,677,717
	1995-96	3,051,303,629	5,337,629,341	57,204,637
	1996-97	3,195,085,095	5,493,724,548	58,807,082
	1997-98	$2,198,412,524^{(4)}$	5,687,404,922	60,454,787
	1998-99	2,343,330,103	6,080,461,083	64,427,525
	1999-00	2,480,670,587	6,660,417,603	69,321,686
	2000-01	2,704,690,573	7,446,872,533	76,886,217
	2001-02	3,578,860,177	8,835,385,357	91,289,481
	2002-03	3,433,942,598	10,070,678,634	103,955,707

⁽¹⁾ Full cash values for all redevelopment projects above the "frozen" base year valuations. These data represent growth in full cash values generating tax revenues for use by the community redevelopment agencies.

Accounting Policies, Reports and Audits

Except as mentioned below, the County believes that its accounting policies used in preparation of its audited financial statements conform to generally accepted accounting principles applicable to counties. The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues when they become available and measurable. Expenditures, with the exception of unmatured interest on general long-term debt, are recognized when the fund liability is incurred. Proprietary funds use the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, while expenses are recognized when they are incurred.

The Treasurer also holds certain trust and agency funds not under the control of the Board of Supervisors, such as those of school districts, which are accounted for on a cash basis.

The California Government Code requires every county to prepare an annual financial report. The Auditor-Controller prepares the Comprehensive Annual Financial Report for the County. This annual report covers financial operations of the County, County districts and service areas, local autonomous districts and various trust transactions of the County Treasury. Under California law, independent audits are required of all operating funds under the control of the Board of Supervisors. The County has had independent audits for more than 40 years. See APPENDIX C—"EXCERPTS FROM THE

Does not include unitary and operating non-unitary utility roll values which are determined by the State Board of Equalization on a county-wide basis.

⁽³⁾ Actual tax revenues collected by the County which have been or will be paid to the community redevelopment agencies.

⁽⁴⁾ The Base Year Value was reduced to exclude project areas with negative increment. Source: County Auditor-Controller.

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2002."

In addition to the above-mentioned audits, the County Grand Jury may also conduct management audits of certain offices of the County.

Funds accounted for by the County are categorized as follows:

Government Funds. Government funds are used to account for all or most of the County's general government activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds) and the servicing of general long-term obligations (debt service funds). The General Fund is used to account for the revenues and expenditures of the County that are not accounted for by other funds.

Proprietary Funds. Proprietary funds are used to account for activities similar to those in the private sector, where the measurement focus is upon determination of net income and capital maintenance. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the County (internal service funds).

Fiduciary Funds. Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include the Pension and Investment Funds, the Expendable Trust Fund and agency funds.

Presented in Table B-5 on the following page is the County's Schedule of Revenues, Expenditures and Changes in Fund Balances for the County General Fund as of June 30th for the five most recent fiscal years for which audited financial statements are available. More detailed information from the County's audited financial report for the fiscal year ending June 30, 2002 appears in APPENDIX C to this Official Statement.

Pursuant to a request for proposals for auditing services, the County evaluated and interviewed the responding accounting firms and selected Caporicci & Larson, Oakland, California as the new auditor for the County, commencing with the audit to be completed for the fiscal year ending June 30, 2003.

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Table B-5
COUNTY OF CONTRA COSTA GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGETARY BASIS
FISCAL YEARS 1997-98 THROUGH 2001-02
(\$ IN THOUSANDS)

	1997-98	1998-99	1999-00	2000-01	2001-02
REVENUES					
Taxes	\$101,370	\$110,242	\$116,540	\$184,513	\$200,571
Licenses, permits and franchise fees	6,476	6,597	8,623	14,823	23,782
Fines, forfeitures and penalties	12,725	13,514	15,029	14,364	14,508
Use of money and property	13,459	14,937	14,858	19,029	10,527
Intergovernmental revenues	378,383	411,112	465,245	452,351	506,352
Charges for services	107,530	123,203	143,566	160,130	155,713
Other revenue	15,083	17,750	27,923	18,078	74,613
TOTAL REVENUES	635,026	697,355	791,784	863,288	986,066
Expenditures					
General government	83,847	105,967	100,734	106,250	128,375
Public protection	168,054	198,836	215,919	225,008	254,070
Health and sanitation	138,241	146,927	156,441	153,961	172,613
Public assistance	213,246	233,217	244,934	273,403	315,112
Education	145	144	145	151	205
Public ways and facilities	6,965	11,096	20,140	24,092	45,679
Interest	4,302	5,296	3,878	3,133	2,215
Capital outlay (1)	2,947	3,173	3,301	1,269	7,415
TOTAL EXPENDITURES	617,747	704,656	745,492	787,267	925,684
Excess of Revenues over (under) Expenditures	17,279	(7,301)	46,292	76,021	60,382
OTHER FINANCING SOURCES (USES)					
Operating transfers in	31,318	49,025	31,294	23,485	23,568
Operating transfers out	(42,005)	(34,834)	(55,993)	(68,889)	(76,347)
Capital lease financing [†]	2,955	3,173	5,500	1,269	9,907
TOTAL OTHER FINANCING SOURCES (USES)	(7,732)	17,364	(19,199)	(44,135)	(42,872)
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	9,547	10,063	27,093	31,886	17,510
FUND BALANCE AT BEGINNING OF YEAR,	7,547	10,003	21,073	31,000	17,510
as Previously Reported	68,185	79,960	85,430	112,721	144,607
Adjustment to beginning fund balance	0	0	0	0	7,285
FUND BALANCE AT BEGINNING OF YEAR,					
as Restated	68,185	79,960	85,430	112,721	151,892
Residual equity transfers in	0	0	199	0	0
Residual equity transfers out	(772)	(1,593)	(1)	0	0
FUND BALANCE AT END OF YEAR	\$ 76,960	\$ 85,430	\$112,721	\$144,607	\$169,402

[†] These entries are required by NCGA Statement 5 to disclose the value of fixed assets acquired during the year under lease purchase agreements. The County does not appropriate these amounts since they apply to future years. Source: County Auditor-Controller.

County Employees

A summary of the number of permanent County employees follows:

Table B-6
COUNTY OF CONTRA COSTA
COUNTY EMPLOYEES (1)

As of June 30	Number of Permanent Employees
1998	7,215
1999	7,749
2000	8,321
2001	8,654
2002	8,788
2003	$8,620^{(2)}$
2002	,

⁽¹⁾ Represents full-time equivalent employee positions authorized and funded but not necessarily filled. Excludes employees of the courts or independent fire districts.

Source: County Auditor-Controller.

Contract Negotiations

County and District employees are represented in 36 bargaining units by 13 labor organizations, the principal ones being Local One of the Contra Costa County Employees Association ("CCCEA Local One") and Local 2700 of the American Federation of State County and Municipal Employees ("AFSCME") which, combined, represent approximately 50% of all County employees in a variety of classifications.

The County and eleven of the labor organizations, representing approximately 85% of the County workforce, reached an agreement that extends the memoranda of understanding and provides for both wage increases and retirement enhancements. This agreement was contingent upon an offset of \$100 million of the unfunded liability as approved by the Retirement Board on May 28, 2002, as follows.

The Memorandums of Understanding (the "MOUs") of the employee organizations representing employees with miscellaneous retirement benefits were extended three years from the original September 30, 2002 expiration date to the new expiration date of September 30, 2005. Employees will receive salary increases of 5% effective October 1, 2002, 3% effective October 1, 2003 and 3% effective October 1, 2004. The formula for calculating retirement benefits changed from 2% at age 58.5 formula to 2% at age 55 effective January 1, 2003, and effective January 1, 2005 for employees represented by the California Nurses Association ("CNA"). The County eliminated the Tier II Retirement Plan and moved Tier II employees to Tier III, effective October 1, 2002. Employees may participate in a shared buy-back plan that would allow employees to convert previously earned retirement service credits to the higher tier (Tier III) at a 2:1 employee/employer ratio. The employee organizations that are party to this agreement include AFSCME Locals 512 and 2700, CNA, CCCEA Local One, Physicians' and Dentists' of Contra Costa County, SEIU Local 535 and Western Council of Engineers. Wage and retirement benefit provisions for employees with safety retirements in the miscellaneous employee organizations of CCCEA Local One and SEIU Local 535 expire September 30, 2006.

⁽²⁾ Estimated.

The MOUs of employee organizations representing employees with safety retirement benefits were extended three years from the previous expiration date to new expiration dates as follows: Deputy Sheriff's Association, Management and Rank & File Units, and District Attorney Investigator's Association - September 30, 2005; IAFF Local 1230, Fire Suppression Unit (CCCFPD) - March 31, 2006; United Chief Officers' Association - June 30, 2006; and IAFF Local 1230, East Diablo Firefighters Unit - December 31, 2005. Annual wage increase of 5% are provided, with the exception of employees represented by the Deputy Sheriffs' Association who instead receive 6% the first year of their MOU and 5% annually thereafter. The formula for calculating safety retirement benefits would change from 2% at age 50 to 3% at age 50 effective July 1, 2002, and effective July 1, 2005 for the East Diablo Firefighters Unit. A deduction of 2.25% of salary to defray the County's cost of providing the enhanced retirement benefits will be made at the same time the annual wage increases are received.

Contract negotiations with the East County Firefighters Association, representing the reserve firefighters employed by the East Contra Costa Fire Protection District, concluded and the current MOU expires September 3, 2004. Bargaining with SEIU Local 250 which represent In-Home Supportive Services Workers, whose MOU with the In-Home Supportive Services Public Authority expires June 30, 2002 will commence in the near future.

The Contra Costa County Treasurer's Investment Pool

State law requires that all moneys of the County, County school districts, and certain special districts in the County be held in the County Treasury by the Treasurer. The Treasurer has authority to implement and oversee the investment of such funds in the County Pool in accordance with Section 53600 et seq. of the Government Code. The Treasurer accepts funds only from agencies located within the County. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and federal funding and other fees and charges. As of December 31, 2002, there were 41 participants in the County Pool, the largest being the County. The County, County agencies, and school and community college districts (who are involuntary members of the County Pool) represented an aggregate 86.53% of the County Pool's investments as of December 31, 2002.

The Contra Costa County Investment Policy (the "Policy") governs the County's investments in the County Pool. The Policy has historically been more restrictive than that mandated under the Government Code. Although the Policy permits reverse repurchase agreements between the County and primary dealers with the Federal Reserve Bank of New York, the County currently does not intend to engage in such transactions. The County has an investment oversight committee that meets quarterly to monitor and report on all investment activities of the Treasurer's Office.

In order of priority, the objectives of the Policy are the preservation of capital, liquidity and yield. The preservation of capital is the foremost goal of any investment decision, and investments generally are made so that securities can be held to maturity. Once safety and liquidity objectives have been achieved, the Treasurer then attempts to generate a favorable return by maximizing interest earnings without comprising the first two objectives. A report detailing the investment portfolio and investment activity, including the market value of the portfolio, is submitted quarterly to the County Administrator, the Auditor-Controller and the Board of Supervisors.

The investment portfolio is sufficiently flexible to enable the County to meet all disbursement requirements that are anticipated from any fund.

As of June 30, 2003, investments in the County Pool were held for the following local agencies in the indicated amounts:

Table B-7
CONTRA COSTA COUNTY INVESTMENT POOL
INVESTMENTS HELD BY TYPE OF LOCAL AGENCY
(AS OF JUNE 30, 2003)

Local Agency	Par Value	Percent of Total	Number of Agencies
County of Contra Costa and Agencies	\$1,180,708,409.86	63.48%	1
School Districts	383,663,294.00	20.63	19
Community College District	65,559,386.00	3.52	1
Other Public Agencies†	230,175,503.00	12.37	<u>20</u>
TOTAL	\$1,860,106,592.86	100.00%	41

[†] Sanitation, Fire and Transportation Authorities, and two Joint Power Authorities are the only voluntary participants in the Pool.

As of June 30, 2003, the Pool had approximately 41.3% of its assets invested in U.S. Treasury and federal agency securities. Another 47.2% of the Pool's assets were invested in highly liquid short-term money market instruments (repurchase agreements, certificates of deposit, bankers' acceptances, and commercial paper). As of June 30, 2003, the detailed composition, cost, and market value of the Pool were as follows:

Type of Investment	Cost	Market Value	% of Total
Cash	\$79,227,757.25	\$79,227,757.25	4.26%
U.S. Treasuries	13,144,980.15	14,700,216.59	0.71
U.S. Agencies - Federal, State and Local	755,064,003.65	757,632,229.35	40.57
Money Market Instruments	878,862,111.08	879,712,550.48	47.22
Other	134,812,119.36	136,421,217.86	<u>7.24</u>
Total [†]	\$1,861,110,971.49	\$1,867,693,971.53	100.00%

[†] Totals may not add due to independent rounding.

The Pool is highly liquid, with 93.67% of the portfolio having a maturity of less than one year and an average weighted days to maturity of 66.24 days. The maturity distribution of the Pool's portfolio as of June 30, 2003 is presented in the following table.

	Amount	
Term to Maturity	(Cost Basis)	% of Total
Less than 1 year	\$1,743,238,086	93.67%
1 to 2 years	88,682,968	3.69
2 to 3 years	39,162,949	2.10
3 to 4 years	7,099,966	0.38
4 to 5 years	2,222,867	0.12
Greater than 5 years [†]	704,145	0.04
TOTAL	\$1,861,110,971	100.00%

⁽¹⁾ Represents bond proceeds of School Districts.

The mix of investments is designed to ensure that sufficient liquid funds are available to meet disbursement requirements. Funds on hand at the end of each of the past five fiscal years in excess of disbursement requirements were as follows:

Fiscal Year Ending June 30	Available Funds (\$ in millions)	
1999	\$1,248	
2000	1,392	
2001	1,505	
2002	1,526	
2003	1,860	

Pension Plan

The Contra Costa County Employees' Retirement Association (the "Association") is a cost-sharing multiple-employer defined pension benefit plan governed by the County Employees' Retirement Law of 1937. The plan covers substantially all of the employees of the County, its special districts, the Housing Authority and thirteen other member agencies.

The plan provides for retirement, disability, and death and survivor benefits, in accordance with the County Employees' Retirement Law. Annual cost-of-living adjustments to retirement benefits can be granted by the Board of Retirement as provided by State statutes.

Except for the new Tier III described below, the Association is divided into three separate benefit sections of the 1937 Act. These sections are known as: General – Tier I, General – Tier II and Safety. Tier I includes all General members hired before August 1, 1980 and electing not to transfer to Tier II. The Tier II section includes all employees hired on or after August 1, 1980 and all General members electing to transfer from Tier I. The Safety section covers all employees in active law enforcement, active fire suppression work or certain other "safety" classifications as designated by the Association's Board of Retirement.

Service retirement benefits are based on age, length of service and final average salary. For the Tier I and Safety sections, the retirement benefit is based on the twelve highest pay months, in accordance with Government Code Section 31462. For Tier II, the benefit is based on a three-year average salary.

Effective October 1, 1998, a Tier III retirement plan was established for permanent County employees with over five years of service, allowing employees to transfer from Tier II to Tier III. Tier III offers a better retirement plan using Tier I pay-out levels, except that the more stringent requirements for disability retirement are retained from Tier II. Recent collective bargaining negotiations resulted in an agreement to merge all Tier II employees into Tier III effective October 1, 2002.

Association Funding Status. The most recent actuarial report of the Association reflects its financial status as of December 31, 2002. The Board of Retirement expects that the actuarial report as of December 31, 2002 will bee available in late July 2003. The market value of the plan's assets as of such date was \$2,365,537,000 and the return on assets was -12.5%. Preliminary financial results for 2002 have been prepared by the Association's financial advisor, Milliman USA. As of December 31, 2002, the market value of the plan's assets was \$2.388 billion and the return on assets was -9.5%.

The present value of the plan's unfunded actuarial accrued liability ("UAAL") was estimated in the December 31, 2001 actuarial report to be \$370,331,000 using an 8.35% actuarial rate of return. This includes the County's portion of the liability (\$319 million) as well as that of the other entities comprising the Association. The GASB Statement No. 25 liabilities calculated for 2002 showed that the funded ration was approximately 87.6%.

An experience analysis covering active and retired employees for the period December 31, 1997 to December 31, 2000 has been completed by the actuary and has been reviewed by the Board of Retirement. Based upon the actuary's analysis of experience and recommended changes in assumptions, the UAAL would increase by \$91,666,000. Annual employer rates beginning in Fiscal Year 2002-2003 will increase by \$14,088,000 to amortize the unfunded liability and to pay for annual on-going costs related to the recommended changes.

At its September 2001 meeting, Board of Retirement rejected three of the five recommended changes in assumptions proposed by the actuary. Failure to adopt the three changes could understate the future UAAL by \$80,280,000. The two recommended assumptions adopted would result in increased employer rates of \$5,227,000.

In 2000, Governor Davis signed legislation that permits 1937 Retirement Act counties to provide increased retirement benefits equal to (a) 3% of eligible salary per year of service to safety employees retiring at age 50, and (b) 2% of eligible salary per year of service to regular employees retiring at age 55. The Board of Retirement requested an actuarial study which refined projections regarding cost of such benefits. The actuary completed the study and found that the UAAL would increase by \$199,000,000 if the new benefits were approved. The annual cost to pay for the new benefit and to amortize the UAAL would be \$29,192,072. Representatives of the employer and the employees negotiated the approval of the new benefit and the resources to be used to pay for it. A Memorandum of Understanding ("MOU") addressing the source of payment for these additional benefits for safety employees and for general and miscellaneous employees was recently approved by the employers and all bargaining units. Pursuant to the MOU, \$100,000,000 of the cost of the benefit would be funded from unrestricted reserves of the Association and safety employees would pay the remaining \$99.0 million from a portion of the cost of living adjustment ("COLA") increases included in their compensation. The MOU sets forth a four year agreement beginning on July 1, 2002 under which safety employees will receive 5% to 6% COLAs out of which 2.25% is applied toward the new benefit in year 1, with additional 2.25% increments applied in years 2 through 4. The MOU provides a three year agreement beginning on October 1, 2002 for general and miscellaneous members under which they will receive a 5% COLA in year 1 and 3% COLAs in years 2 and 3.

In addition to the above, the Board of Retirement has allocated, effective July 1, 2001, \$127,000,000 of the Unrestricted Reserve (see the table below) to be used to pay additional retiree benefits in the amount of \$200 per month. Governor Davis signed legislation on July 21, 2001 that authorized the Board of Supervisors to provide these additional benefits. On May 21, 2002, the Board of Supervisors approved these additional benefits only to those retirees who retired prior to January 1, 1983. The actuary calculated the cost to provide these benefits at \$23,162,000. At its October 9, 2002 meeting, the Board of Retirement elected to prefund this amount from the Unrestricted Reserve.

In November 2002, the Association's actuary completed the actuarial evaluation for the new 3%/2% benefits under the 1937 Retirement Act. At its November 2002 meeting, the Board of Retirement voted to approve the transfer of \$100 million from the Unrestricted Reserve to be applied against the UAAL created as a result of the 2%/3% benefit enhancements, resulting in an UAAL of \$487,052,528, of which the payment of \$319,094,714 is the responsibility of the County.

In the past, the Association has been able to contribute a portion of excess earnings from its investment portfolio to the County in the form of subsidies of a portion of the County's required retirement contributions. However, the investment portfolio of the Association has not generated sufficient excess earnings recently to fund said subsidies. The Retirement Administrator of the Association informed the County in early June 2002 that subsidies would cease after December 2002. The additional net County cost is \$12 million in Fiscal Year 2002-03 and \$25 million in Fiscal Year 2003-04. In Fiscal Year 2003-04, the County will continue to evaluate options for managing the shortfalls, including, the issuance of additional pension obligation bonds, management of the Association

and other financial options. See APPENDIX B-"COUNTY FINANCIAL INFORMATION–Recent County General Fund Budgets."

The County issued its Taxable Pension Obligation Bonds, Series 2003 A, in April 2003 to refinance the County's UAAL in the amount of \$319,094,719. However, the Association's actuary has not yet completed its actuarial valuation report for the year ended December 31, 2002, which report may reflect additional UAAL attributable to the County for the reasons discussed above. Furthermore, such actuarial report will update the amount of unrecognized investment losses and earnings shortfalls to be booked by the Association over the next five years, which are projected to total approximately \$655.5 million. The County's portion of such losses is expected to be \$470 million as forecasted by an independent actuarial consultant hired by the County. Such amount will be added to the County's UAAL unless the Association's investment portfolio immediately achieves a rate of return (net of management fees) significantly higher than its assumed actuarial rate of return of 8.00%. See also "-Projections of County's UAAL and Budget Impacts."

The Association has established and maintains various reserves and designations from member and County contributions and the accumulations of investment income thereof, after satisfying investment and administrative expenses, including a Market Stabilization Account.

The Market Stabilization Account represents the deferred return developed by the smoothing of realized and unrealized gains and losses based on five-year smoothing. This method smoothes only the semi-annual deviation of total market return (net of expenses) from the return target of 8.50% (since changed to 8.00%) per annum.

Table B-8 sets forth the balances as of December 31, 2002, in selected reserve or designation categories:

Table B-8 CONTRA COSTA COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION BALANCES IN SELECTED RESERVE AND DESIGNATION CATEGORIES ASSUMING AN 8.50% ACTUARIAL RATE OF RETURN (AS OF DECEMBER 31, 2002)

Category	<u> </u>
Statutory Contingency Reserve (equal to 1% of assets)	\$26,824,217
Board Contingency Designations	
Additional 1% Contingency Designation	26,824,217
Excess Earnings from Previous Years	105,677,000
Market Stabilization Account	(753,413,889)

Source: Association Comprehensive Annual Financial Reports for the years Ended December 31, 2002.

The revenues of the Association by source, net assets at the end of the year and the total return on market value for the five years ending December 31, 2002 is set forth in Table B-9.

Table B-9 CONTRA COSTA COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION SCHEDULE OF REVENUES NET ASSETS AND RETURN ON MARKET VALUE 1998 THROUGH 2002

		Source of Revenu	ies		
					Total
			Investment	Net Assets	Return
Year	Employee	County	Income/	End of	on Market
(December 31)	Contributions	Contributions	$(Loss)^{(1)}$	Year ⁽²⁾	Value ⁽³⁾
1998	11,704,335	40,925,393	342,811,108	2,637,020,438	16.2
1999	14,460,506	49,254,260	402,876,035	2,987,088,866	16.3
2000	15,463,367	52,986,645	30,409,387	2,931,261,879	2.2
2001	18,681,239	55,182,505	(114,531,847)	2,704,728,752	(2.4)
2002	26,605,875	57,474,043	(267,980,549)	2,365,537,000	(12.5)

⁽¹⁾ Net of Investment Expenses.

Source: Association Comprehensive Annual Financial Reports for the years Ended December 31, 1997, 1998, 1999, 2000, 2001 and 2002

Association Investment Policy. The Board of Retirement adopted its investment guidelines in 1985 and has amended those guidelines, the most recent amendment having been adopted on November 6, 2002 (the "Investment Policy"). The Investment Policy prescribes, among other things, asset class targets for investment of Association funds. The asset allocation targets and their associated ranges, which are a function of the returns and risks from various asset class and the nature of the Association's liabilities, as of December 31, 2002 are set forth in Table B-10.

Table B-10
CONTRA COSTA COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION
INVESTMENT POLICY ASSET ALLOCATION TARGETS

	Current Investment	
Asset Type	Allocation	Allocation Range
Domestic Equity	36.2%	39% to 55%
International Equity	11.5	7 to 13
Domestic Fixed Income	33.3	25 to 40
International Fixed Income	5.2	3 to 7
Real Estate	11.1	5 to 12
Alternative Investments	2.0	0 to 7
Cash	<u>0.7</u>	0 to 2
TOTAL	100.0%	

The Association contracts with 28 investment managers (including the County Treasurer-Tax Collector) who are responsible for investment of their respective portion of the portfolio. The Investment Policy prescribes investment guidelines to be followed by the investment managers as well as monitoring procedures regarding their performance.

⁽²⁾ Net of benefits paid, administrative costs, refund of contributions and other deductions.

⁽³⁾ Before deduction of administrative fees and investments costs.

The Association issues a stand-alone financial report, a copy of which is attached as APPENDIX D. For additional information on the County's pension plan, see APPENDIX C—"EXCERPTS FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2002—NOTES TO THE BASIC FINANCIAL STATEMENTS—NOTE 15-Employees' Retirement Plan."

Impact of the Ventura Decision. On August 14, 1997, the Supreme Court of the State of California rendered a decision in the matter of Ventura County Deputy Sheriff's Association v. Board of Retirement of Ventura County Employees' Retirement Association which held that compensation not paid in cash, even if not earned by all employees in the same grade or class, must be included in "compensation earnable" and "final compensation" on which an employee's pension is based. This California Supreme Court decision became final on October 1, 1997, requiring, among other things, certain items such as vacation buy-back to be included in the calculations that determine the retirement benefits that a retiree is eligible to receive. The court decision pertains to defined pension plans governed by the County Employees' Retirement Law of 1937, such as the pension plans of many counties in the State, including the County. In addition, two lawsuits against the County on similar issues have been filed by certain retired County employees. The Association has settled its litigation of these two cases that were consolidated into one case, entitled Vernon D. Paulson, et al. v. Board of Retirement of the Contra Costa Employees' Retirement Association, et al.

The consolidated lawsuit was brought on behalf of a class of retired members of the Association regarding the inclusions and the exclusions from "final" compensation that are used in calculating members' retirement benefits as a result of the *Ventura* decision. A settlement agreement has been entered into with all parties and a petitioners' class has been certified consisting of all retired members of the Association whose effective retirement date was on or before September 30, 1997 (*i.e.*, the period prior to the October 1, 1997 effective date of the *Ventura* decision).

The Board of Retirement has designated \$90 million from unrestricted excess earnings to cover the anticipated liability of the settlement. As of December 31, 2002, \$118 million in claims covering 4,112 retirees or their beneficiaries had been paid leaving a deficit of approximately \$28 million in the \$90 million reserve. The Association and William M. Mercer, Inc., the former actuary, are of the opinion that some of the liability may need to be recalculated because of changes in the assumed investment rate and actuarial assumptions over the past three years. Since there is no longer a positive balance in the Excess Earnings from previous years reserve, any shortfall would become part of the UAAL. Under *Paulson*, employers have the option of paying their outstanding amount due or amortizing the shortfall over 20 years. The County has been amortizing this amount for the past three years by incorporating such amount into the existing UAAL.

In May 2003, Mercer Human Resource Consulting (formerly William M. Mercer, Inc.) prepared a calculation of the payments required by each participating employer in the Association, including the County, in order to settle the remaining *Paulson* liability. The net amount was computed to be \$34,230,204 (calculated as the total *Paulson* liability in the amount of \$149,346,218, less an offset equal to \$115,116,014 which was transferred by the Board of Retirement, representing the \$90 million from unrestricted excess earnings plus interest thereon through December 31, 2002), assuming an actuarial rate of return of 8% and the 2%/3% benefit enhancements. Of the \$34,230,204 net *Paulson* liability amount, the County is responsible for the payment of \$24,821,154 which is part of the UAAL.

Long Term Obligations

The County has never defaulted on the payment of principal or interest on any of its indebtedness. Following is a brief summary of the County's general obligation debt, pension obligation bonds, lease obligations and direct and overlapping debt.

General Obligation Debt. The County has no direct general obligation bonded indebtedness, the last issue having been redeemed in Fiscal Year 1977-78. The County has no authorized and unissued debt.

Pension Obligation Bonds. The County has issued pension obligation bonds to refund debentures issued to evidence its statutory obligation to make payments with respect to its unfunded actuarial accrued liability to County members of the Contra Costa County Employees' Retirement Association.

Lease Obligations. The County has made use of various lease arrangements with private and public financing entities, nonprofit corporations, the County of Contra Costa Public Financing Authority and the Contra Costa County Employees' Retirement Association for the use and acquisition of capital assets. These capital lease obligations have terms ranging from five to 30 years. The longest capital lease ends in 2028. For a summary of the County's lease obligations as of June 30, 2002, see APPENDIX C—"EXCERPTS FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2002—Notes to General Purpose Financial Statements."

Certain of the lease obligations of the County reflect annual payments made for debt service on lease revenue bonds and certificates of participation (collectively, the "Marketable Leases") issued to finance capital projects.

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Fiscal year debt service for the Marketable Lease and pension bond obligations outstanding as of the Fiscal Year ending June 30, 2004 is shown in Table B-12 below.

Table B-12
COUNTY OF CONTRA COSTA
OUTSTANDING MARKETABLE LEASE AND PENSION BOND OBLIGATIONS

Fiscal Year Ending 6/30_	Total Lease Debt Service	Pension Bond <u>Obligations</u>	Total <u>Debt Service</u>
2004	\$31,962,910	\$53,463,394	\$85,426,304
2005	32,495,498	47,378,812	79,874,310
2006	32,538,742	49,675,044	82,213,786
2007	32,540,864	52,060,999	84,601,863
2008	32,591,520	52,064,234	84,655,754
2009	30,748,109	55,312,572	86,060,680
2010	28,317,219	56,135,041	84,452,260
2011	28,343,640	59,549,809	87,893,449
2012	28,344,386	63,262,284	91,606,670
2013	28,362,805	67,939,535	96,302,340
2014	28,007,805	68,401,566	96,409,371
2015	28,048,526	35,409,894	63,458,419
2016	28,040,370	36,914,525	64,954,895
2017	25,647,577	38,484,360	64,131,937
2018	25,132,588	40,114,901	65,247,489
2019	25,072,861	41,821,636	66,894,497
2020	21,826,243	43,600,400	65,426,642
2021	21,813,197	45,452,243	67,265,440
2022	19,060,666	47,382,397	66,443,063
2023	19,082,916	_	19,082,916
2024	9,132,437	_	9,132,437
2025	8,609,394	_	8,609,394
2026	6,810,795	_	6,810,795
2027	5,584,538	_	5,584,538
2028	3,081,750	<u> </u>	3,081,750
$TOTAL^\dagger$	\$581,197,351	\$954,423,646	\$1,535,620,997

[†] Totals do not add due to independent rounding.

Source: The County.

After factoring in the effect of interest earnings on certain reserve funds, estimated reimbursement from the State for the County hospital debt service, estimated reimbursement from special revenue and enterprise funds that are not part of net County costs, and estimated reimbursement from the federal and State governments, the County estimates that its net debt service payments will be approximately \$37.8 million in Fiscal Year 2003-04.

Direct and Overlapping Debt. The County contains numerous municipalities, school districts and special purpose districts, as well as the overlapping East Bay Municipal Utility District, which has issued general obligation bonded and lease indebtedness. Set forth in Table B-13 below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. that summarizes such indebtedness as of July 1, 2003. The Debt Report is included for general information purposes only and the County does not guaranty the completeness or accuracy of the information contained in the Debt Report.

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. 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.

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Table B-13 COUNTY OF CONTRA COSTA DEBT STATEMENT

2002-03 Assessed Valuation: \$100,865,991,593 (includes unitary utility valuation)

Redevelopment Incremental Valuation: 10,070,678,634
Adjusted Assessed Valuation: \$ 90,795,312,959

OVERLAPPING TAX AND ASSESSMENT DEBT: East Bay Municipal Water District and Special District No. 1 Contra Costa Community College District Martinez Unified School District Mt. Diablo Unified School District Pittsburg Unified School District San Ramon Valley Unified School District West Contra Costa Unified School District West Contra Costa Unified School District Acalanes and Liberty Union High School District Brentwood Union School District Uafayette School District Walnut Creek School District Other School Districts Cities and City Special Tax Districts East Bay Regional Park District Other Special Districts Community Facilities Districts 1915 Act Assessment Bonds (Estimate) TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT Less: East Bay Municipal Utility District (100% self-supporting) TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT	% Applicable 49.410 & 6.023% 100. 100. 100. 100. 100. 100. 100. 100	Debt 7/1/03 \$ 4,877,667 50,000,000 39,400,888 69,400,000 27,815,000 129,932,132 216,455,000 174,162,358 26,859,285 27,550,000 26,510,000 48,900,361 20,349,977 71,801,962 1,010,000 263,130,000 461,403,259 \$1,659,557,889 2,364,269 \$1,657,193,620	
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT: Contra Costa County General Fund Obligations Contra Costa County Pension Obligations Contra Costa County Office of Education Certificates of Participation Alameda-Contra Costa Transit District Certificates of Participation Antioch Unified School District Certificates of Participation San Ramon Valley Unified School District Educational Facilities Corporation Other School District General Fund Obligations City of Antioch General Fund Obligations City of Concord General Fund and Judgment Obligations City of Richmond General Fund Obligations City of Richmond Pension Obligations City of San Ramon General Fund Obligations Other City General Fund Obligations Special District Certificates of Participation TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEB Less: San Ramon Unified School District Certificates of Participation (self-supporting from GIC from Bayerische Landesbank) TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	100. % 100. 100. 10.618 100. 100. 0.139-100. 100. 100. 100. 100. 100. 100. 100.	\$ 322,655,000 587,220,000 2,400,000 2,369,407 18,537,769 21,800,000 42,308,170 30,958,452 36,785,000 49,596,929 29,660,000 22,125,000 46,918,944 12,775,000 \$1,226,109,671 1,495,000 \$1,224,614,671	(1)
GROSS COMBINED TOTAL DEBT NET COMBINED TOTAL DEBT		\$2,885,667,560 \$2,881,808,291	(2)

(1) Excludes 2003 Series A Bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2002-03 Assessed Valuation:

Ratios to Adjusted Assessed Valuation:

 Combined Direct Debt (\$909,875,000)
 1.00%

 Gross Combined Total Debt
 3.18%

 Net Combined Total Debt
 3.17%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: \$0

Source: California Municipal Statistics, Inc.

Future Financings

The County is planning to issue approximately \$135 million in of taxable pension obligation bonds in August 2003. The County is also beginning a five-year planning phase with other cities, counties, and five districts for the replacement of the County's emergency radio system with a 700 mHz system. Additionally, the County may, over the next several years, undertake the replacement of the Richmond Health Center and the construction of a new Sheriff's Public Safety Command Center.

Insurance and Self-Insurance Programs

The County's workers' compensation exposure is self-insured to \$750,000 per occurrence. See also "-Workers' Compensation Costs." The County has excess coverage through the California State Association of Counties-Excess Insurance Authority ("CSAC-EIA") from \$750,000 to \$50 million.

The County has excess coverage through CSAC-EIA for public and automobile liability to \$25 million. The County is also self-insured to \$1 million.

The County maintains "All Risks" insurance in an amount in excess of \$600 million through CSAC-EIA with a \$50,000 deductible. Loss caused by an earthquake is covered by a policy that expires March 31, 2005 with a policy limit of \$265 million and a 5% per unit deductible.

With respect to the medical malpractice exposure, the County is self-insured for \$500,000 with excess coverage through CSAC-EIA up to \$10 million. The County's airports are protected by commercial liability insurance up to \$100 million, without a deductible. The County's Sheriff-Coroner's helicopters are insured commercially to \$50 million, without a deductible.

Except for the County's airports and the Sheriff-Coroner's helicopters, commercial reinsurance has been purchased through the California State Association of Counties' Excess Insurance Authority, a joint powers authority, whose purpose is to obtain "group" commercial reinsurance for its membership, which includes the County.

Internal Service Funds are used to account for all self-insurance activities. It is the County policy to periodically infuse capital into each Fund to sufficiently cover the payment of claims, including those that either will or may require payment sometime in the future. As of June 30, 2002, the Internal Service Funds had approximately \$84.5 million in assets and \$96.3 million in liabilities. At the beginning of Fiscal Year 2002-03, the County supplemented the medical malpractice fund in the amount of \$4 million reducing the negative fund balance in the Internal Service Funds from \$11.8 million to \$7.8 million.

Current and future liabilities for the workers' compensation, public liability, automobile liability, and medical malpractice liability funds are determined annually by an outside actuarial firm, Milliman USA, while the others are determined by County management personnel. In the County's opinion the Internal Service Funds are sufficiently funded, with the exception of the workers' compensation program.

As of June 30, 2002, the County's general workers' compensation fund net deficit had increased from \$6.5 million in Fiscal Year 2000-01 to \$18.3 million. This sharp increase was due to the upward adjustment by the County's actuary of the future cost of workers' compensation claims, which costs are increasing due to increases in temporary disability payments and death payments due to recent legislative changes, increased medical costs and over use of medical treatment. The County is addressing these issues through a variety of new management initiatives to strengthen cost containment and the County has increased the charges for services (revenues) in Fiscal Years 2003-03 and 2003-04 so that the deficit does not continue to grow substantially beyond its current level. The County Administrator's office is also developing a funding strategy to significantly reduce the deficit in this fund over the next three to five years. See "—Workers Compensation Costs."

For additional information on the County's insurance coverage, see APPENDIX C-"EXCERPT FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDE JUNE 30, 2002–Notes to General Purpose Financial Statements."
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APPENDIX C

EXCERPTS[†] FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2002

[†] Includes all material in the County's Comprehensive Annual Financial Report from the Table of Contents through Note 20 of the Notes to the Basic Financial Statements. The Comprehensive Annual Financial Report in its entirety may be viewed online or downloaded at http://www.co.contra-costa.ca.us.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of August 14, 2003, is executed and delivered by the COUNTY OF CONTRA COSTA, CALIFORNIA (the "County"), and BNY WESTERN TRUST COMPANY, as successor trustee (the "Trustee") in connection with the issuance by the County of Contra Costa Public Financing Authority (the "Authority") of \$18,500,000 Lease Revenue Bonds (Various Capital Projects), 2003 Series A (the "Bonds"). The Bonds are being issued pursuant to a Trust Agreement dated as of February 1, 1999, as supplemented by a First Supplemental Trust Agreement dated as of January 1, 2001, a Second Supplemental Trust Agreement dated as of May 1, 2001, a Third Supplemental Trust Agreement dated as of June 1, 2002, a Fourth Supplemental Trust Agreement dated as of July 1, 2002 and a Fifth Supplemental Trust Agreement dated as of July 1, 2003 (collectively, the "Trust Agreement"), between the Authority and the Trustee. Pursuant to the Facility Lease dated as of February 1, 1999, as amended by the First Amendment to Facility Lease dated as of January 1, 2001, the Second Amendment to Facility Lease dated as of May 1, 2001, the Third Amendment to Facility Lease dated as of June 1, 2002, the Fourth Amendment to Facility Lease dated as of July 1, 2002 and the Fifth Amendment to Facility Lease dated as of July 1, 2003 (collectively, the "Facility Lease"), the County has covenanted to comply with its obligations hereunder and to assume all obligations for Continuing Disclosure with respect to the Bonds. The County and the Dissemination Agent covenant and agree as follows:

SECTION 1. <u>Purpose of the Disclosure Agreement</u>. This Disclosure Agreement is being executed and delivered by the County, the Trustee and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. <u>Definitions</u>. In addition to the definitions set forth in the Trust Agreement, which 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:

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

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the County Administrator, Director, Capital Facilities and Debt Management or his or her designee, or such other officer or employee as the County shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent, which may be designated in writing by the County and which has filed with the Trustee a written acceptance of such designation.

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Securities and Exchange Commission as of the date of this Agreement are set forth at the following website: http://www.sec.gov/consumer/nrmsir.htm.

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

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

- (a) The County shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the County's fiscal year (presently June 30), commencing with the report for the 2002-03 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; <u>provided</u> that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual 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(f).
- (b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the County shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent); provided, however, that the County may distribute the Annual Report itself after providing written notice to the Trustee and the Dissemination Agent. If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the County to determine if the County is in compliance with the first sentence of this subsection (b).
- (c) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and
- (ii) to the extent the County has provided the Annual Report to the Dissemination Agent, file a report with the County and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. <u>Content of Annual Reports</u>. The County's Annual 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. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.
- 2. Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement under the following captions:
 - (a) "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" (report changes in "– Debt Service Schedule");
 - (b) APPENDIX B-"COUNTY FINANCIAL INFORMATION-Recent County General Fund Budgets" (update Table B-1 "COUNTY OF CONTRA COSTA GENERAL FUND BUDGET");
 - (c) APPENDIX B—"COUNTY FINANCIAL INFORMATION—Ad Valorem Property Taxes" (update Table B-2 "COUNTY OF CONTRA COSTA SUMMARY OF ASSESSED VALUATIONS AND AD VALOREM PROPERTY TAXATION");
 - (d) APPENDIX B—"COUNTY FINANCIAL INFORMATION—Accounting Policies, Reports and Audits" (update Table B-5 "COUNTY OF CONTRA COSTA GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES");
 - (e) APPENDIX B-"COUNTY FINANCIAL INFORMATION-Long Term Obligations" (update Table B-12-"COUNTY OF CONTRA COSTA OUTSTANDING MARKETABLE LEASE AND PENSION BOND OBLIGATIONS").

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 each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. 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 and to the extent applicable, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:
 - 1. principal and interest payment delinquencies;
 - 2. non-payment related defaults;
 - 3. modifications to rights of Holders of Bonds;
 - 4. optional, contingent or unscheduled bond calls;
 - 5. defeasances;
 - 6. rating changes;
 - 7. adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;
 - 8. unscheduled draws on the debt service reserves reflecting financial difficulties;
 - 9. unscheduled draws on credit enhancements reflecting financial difficulties;

- 10. substitution of credit or liquidity providers, or their failure to perform; and
- 11. release, substitution or sale of property securing repayment of the Bonds.
- (b) The Trustee shall, promptly upon obtaining actual knowledge at its principal corporate trust office as specified in Section 12 hereof of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the County promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f); provided that, failure by the Trustee to so notify the Disclosure Representative and make such request shall not relieve the County of its duty to report Listed Events as required by this Section 5.
- (c) Whenever the County obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.
- (d) If the County has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).
- (e) If in response to a request under subsection (b), the County determines that the Listed Event would not be material under applicable federal securities laws, the County shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence.
- (f) If the Trustee has been instructed by the County to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Trust Agreement.
- (g) The Trustee may conclusively rely on an opinion of counsel that the County's instructions to the Trustee under this Section 5 comply with the requirements of the Rule.
- SECTION 6. <u>Termination of Reporting Obligation</u>. Each party'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 of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).
- SECTION 7. <u>Dissemination Agent</u>. 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 Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the County pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the County shall be the Dissemination Agent.
- SECTION 8. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Agreement, the County, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the County provided such amendment does not impose any greater duties, nor risk of liability, on the Trustee or the Dissemination Agent, as the case may be), 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, or 5(a), 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 Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders 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 Annual 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(f), and (ii) the Annual 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 9. 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 Annual 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 Annual 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 Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. <u>Default</u>. In the event of a failure of the County, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee (and, at the written request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent indemnified to its satisfaction), or any Holder 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, the Trustee or the Dissemination Agent, as the case may be, 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, and the sole remedy under this Disclosure Agreement in the event of any failure of the County, the Trustee and the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. <u>Duties, Immunities and Liabilities of Trustee and Dissemination Agent.</u> The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the County, to the extent permitted by law, agrees to indemnify and save the Dissemination Agent and the Trustee, their 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 or Trustee's respective negligence or willful misconduct. The Trustee shall be paid reasonable compensation for the

services provided hereunder. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. <u>Notices</u>. 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 Contra Costa

County Administrator's Office 651 Pine Street, 6th Floor Martinez, CA 94553-0063

Attention: Laura W. Lockwood, Director of Capital Facilities

and Debt Management Telephone: (925) 335-1093 Fax: (925) 646-1228

If to the Trustee:

BNY Western Trust Company 550 Kearny Street, Suite 600 San Francisco, California 94108 Attention: Corporate Trust Department

Telephone: (415) 263-2416 Fax: (415) 399-1647

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. <u>Beneficiaries</u>. This Disclosure Agreement shall inure solely to the benefit of the County, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. <u>Counterparts</u>. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

COUNTY OF CONTRA COSTA

		By
		Chair of the Board of Supervisors County of Contra Costa, State of California
Attest:	John Sweeten, Clerk of the Board of Supervisors and County Administrator	
	By Chief Clerk of the Board of Su	
		BNY WESTERN TRUST COMPANY as Trustee
		ByAuthorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County	of Contra Costa
Name of Issue:	County of Contra Costa Public Facilities Financing Authority Lease Revenue Bonds (Various Capital Projects), 2003 Series A
Date of Issuance:	August 14, 2003
Annual Report with re Amendment to Facility Public Financing Authors by	GIVEN that the County of Contra Costa (the "County") has not provided an espect to the above-named Bonds as required by Section 38.07 of the Fifth Lease, dated as of July 1, 2003, by and between the County of Contra Costa prity and the County. The County anticipates that the Annual Report will be filed
Dated:	BNY WESTERN TRUST COMPANY, on behalf of COUNTY OF CONTRA COSTA

cc: County of Contra Costa

APPENDIX G DTC AND THE BOOK-ENTRY ONLY SYSTEM

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2003 Series A Bonds, payment of principal, redemption premium, if any, and interest with respect to the 2003 Series A Bonds to DTC, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2003 Series A Bonds and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the County of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The County, the Trustee and the Underwriters understand that the current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and that the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

DTC will act as securities depository for the 2003 Series A Bonds. The 2003 Series A Bonds will be executed and delivered as fully registered bonds 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 certificate will be executed and delivered for each maturity date of the 2003 Series A Bonds, each in the aggregate principal amount due on such maturity date, and will be deposited with DTC.

DTC, the world's largest 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. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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 2003 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("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 2003 Series A 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 2003 Series A Bonds, except in the event that use of the book-entry system for the 2003 Series A 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 the 2003 Series A 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 Series 2003 A 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 2003 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2003 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the 2003 Series A Bonds may wish to ascertain that the nominee holding the 2003 Series A 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 notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC 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. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2003 Series A Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the 2003 Series A Bonds by the County will reduce the outstanding principal amount of Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the 2003 Series A Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and Indirect Participants will implement a redemption of the 2003 Series A Bonds for the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Trust Agreement and will not be conducted by the County or the Trustee.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2003 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2003 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the 2003 Series A 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 County or the Trustee, on payable 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 Participant and not of DTC (nor its nominee), the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the 2003 Series A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County 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.

AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2003 SERIES A BONDS, THE TRUSTEE WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO BONDOWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2003 SERIES A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

NONE OF THE COUNTY, THE TRUSTEE, OR THE UNDERWRITERS HAVE ANY RESPONSIBILITY OR LIABILITY FOR ANY ASPECT OF THE RECORDS RELATING TO OR PAYMENTS MADE ON ACCOUNT OF BENEFICIAL OWNERSHIP, OR FOR MAINTAINING, SUPERVISING OR REVIEWING ANY RECORDS RELATING TO BENEFICIAL OWNERSHIP OF INTERESTS IN THE 2003 SERIES A BONDS.

NONE OF THE COUNTY, THE TRUSTEE, OR THE UNDERWRITERS CAN GIVE AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE 2003 SERIES A BONDS RECEIVED BY DTC OR ITS NOMINEES AS THE BONDOWNER THEREOF OR ANY REDEMPTION NOTICES OR OTHER NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVICE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Disclaimers

AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2003 SERIES A BONDS, THE TRUSTEE WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO HOLDERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2003 SERIES A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

NONE OF THE AUTHORITY, THE COUNTY, THE TRUSTEE, OR THE UNDERWRITER HAS ANY RESPONSIBILITY OR LIABILITY FOR ANY ASPECT OF THE RECORDS RELATING TO OR PAYMENTS MADE ON ACCOUNT OF BENEFICIAL OWNERSHIP, OR FOR MAINTAINING, SUPERVISING OR REVIEWING ANY RECORDS RELATING TO BENEFICIAL OWNERSHIP OF INTERESTS IN THE 2003 SERIES A BONDS.

NONE OF THE AUTHORITY, THE COUNTY, THE TRUSTEE, OR THE UNDERWRITERS CAN GIVE AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE 2003 SERIES A BONDS RECEIVED BY DTC OR ITS NOMINEES AS THE HOLDER THEREOF OR ANY REDEMPTION NOTICES OR OTHER NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVICE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of a such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR] [LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

Attest:

Assistant Secretary

Presid ...