NEW ISSUE: BOOK-ENTRY ONLY **Ratings: See "Ratings" herein.**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, 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 Series 2020 Senior Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the status of interest on any Series 2020 Senior Bond for any period that such Series 2020 Senior Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2020 Senior Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2020 Senior Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2020 Senior Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2020 Senior Bonds. See "TAX MATTERS."

$79,705,000
COUNTY OF SACRAMENTO
Airport System Senior Revenue Refunding Bonds
Series 2020
(Non-AMT Private Activity)

Dated: Date of Delivery **Due: July 1, as shown on the inside cover pages**

The County of Sacramento (the "County") is issuing its $79,705,000 Airport System Senior Revenue Refunding Bonds, Series 2020 (Non-AMT Private Activity) (the "Series 2020 Senior Bonds"). The Series 2020 Senior Bonds are being issued to: (i) refund the outstanding County of Sacramento Airport System Senior Revenue Bonds, Series 2010 (the "Refunded Bonds"); and (ii) pay certain costs of issuance of the Series 2020 Senior Bonds, all as more fully described herein. See "PLAN OF REFUNDING."

The Series 2020 Senior Bonds are being issued pursuant to a Master Indenture of Trust, dated as of May 1, 2008, between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (the "Master Indenture"), as supplemented by a Tenth Supplemental Indenture of Trust, dated as of August 1, 2020, between the County and the Trustee (the "Tenth Supplemental Indenture" and, together with the Master Indenture, as supplemented and amended from time to time, the "Indenture").

The Series 2020 Senior Bonds are secured by the Trust Estate (as defined herein), subject to the application of the moneys included in the Trust Estate on the terms and conditions and for the purposes set forth in the Indenture. The primary component of the Trust Estate is the Net Revenues (as defined herein) derived by the County from the operation of the Airport System. The Series 2020 Senior Bonds constitute Senior Obligations (as defined herein) pursuant to the Indenture and are secured by the Trust Estate and payable from Net Revenues on a parity basis with Senior Obligations previously issued by the County. The Indenture provides that the County may issue additional Senior Obligations secured by the Trust Estate and payable from the Net Revenues on a parity basis with the Series 2020 Senior Bonds, subject to the terms and conditions of the Indenture, as more fully described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 SENIOR BONDS — Additional Senior Obligations" and " – Existing Senior Obligations."

The County has previously issued Subordinate Obligations (as defined herein) pursuant to the Indenture which are secured by the Trust Estate and payable from the Net Revenues on a subordinate basis to the Senior Obligations. The Indenture provides that the County may incur additional Obligations (as defined herein) secured by the Trust Estate and payable from the Net Revenues on a subordinate basis to the Senior Obligations (the "Subordinate Obligations" and "Junior Subordinate Obligations") subject to the terms and conditions of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 SENIOR BONDS —Additional Subordinate Obligations," " – Existing Subordinate Obligations" and " – Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations."

Interest on the Series 2020 Senior Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2021, at the rates set forth on the inside cover page.

THE PRINCIPAL, OR REDEMPTION PRICE, OF, INTEREST AND OTHER PAYMENTS ON THE SERIES 2020 SENIOR BONDS ARE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THE PAYMENT THEREOF, AND THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2020 SENIOR BONDS EXCEPT FROM THE TRUST ESTATE. THE GENERAL FUND OF THE COUNTY IS NOT LIABLE AND THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COUNTY IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST OR OTHER PAYMENTS ON THE SERIES 2020 SENIOR BONDS. NO TAX OR ASSESSMENT SHALL EVER BE LEVIED OR COLLECTED TO PAY THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST OR OTHER PAYMENTS ON THE SERIES 2020 SENIOR BONDS AND THE SERIES 2020 SENIOR BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE PROPERTY OF THE COUNTY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE TRUST ESTATE AS PROVIDED IN THE INDENTURE. NEITHER THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST OR OTHER PAYMENTS ON THE SERIES 2020 SENIOR BONDS IS A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OR THE STATE OF CALIFORNIA.

The Series 2020 Senior Bonds will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to beneficial owners in denominations of $5,000 or any integral multiple thereof, through the book – entry system maintained by DTC. The principal of, premium, if any, and interest on the Series 2020 Senior Bonds is payable by the Trustee, to DTC, which is obligated in turn to remit such payments to its participants for subsequent disbursement to beneficial owners as described herein. See APPENDIX D — "BOOK – ENTRY ONLY SYSTEM."

The Series 2020 Senior Bonds are subject to optional redemption prior to their respective stated maturities as described herein. See "THE SERIES 2020 SENIOR BONDS — Redemption Provisions."

This cover page, including the inside cover pages hereto, contains certain information for general reference only. It is not intended to be a summary of this issue. Potential purchasers must read the entire Official Statement, including but not limited to "INVESTMENT CONSIDERATIONS," to obtain information essential to making an informed investment decision.

The Series 2020 Senior Bonds are offered when, as and if issued and received by the Underwriters, and subject to the approval of their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County. Certain matters will be passed upon on behalf of the County by the Sacramento County Counsel, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, its Disclosure Counsel, and on behalf of the Underwriters by their counsel, Kutak Rock LLP. It is expected that the Series 2020 Senior Bonds in book – entry form will be available for delivery through the DTC book – entry system, on or about August 20, 2020.

Morgan Stanley **BofA Securities**

Dated: August 13, 2020

MATURITY SCHEDULE

$79,705,000 Series 2020 Senior Bonds

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†]
2023	$2,875,000	5.000%	0.250%	113.546	786107TF9
2024	3,010,000	5.000	0.350	117.830	786107TG7
2025	3,155,000	5.000	0.440	121.919	786107TH5
2026	3,315,000	5.000	0.570	125.511	786107TJ1
2027	3,485,000	5.000	0.740	128.457	786107TK8
2028	3,660,000	5.000	0.850	131.502	786107TL6
2029	3,835,000	5.000	0.950	134.349	786107TM4
2030	4,030,000	5.000	1.040	137.031	786107TN2
2031	4,230,000	5.000	1.120	136.136C	786107TP7
2032	4,445,000	5.000	1.210	135.137C	786107TQ5
2033	4,660,000	5.000	1.320	133.928C	786107TR3
2034	4,890,000	5.000	1.390	133.166C	786107TS1
2035	5,130,000	5.000	1.450	132.516C	786107TT9
2036	5,360,000	4.000	1.660	121.208C	786107TU6
2037	5,570,000	4.000	1.700	120.804C	786107TV4
2038	5,785,000	4.000	1.740	120.401C	786107TW2
2039	6,015,000	4.000	1.780	120.000C	786107TX0
2040	6,255,000	4.000	1.820	119.600C	786107TY8

C Priced to July 1, 2030 par call.

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No dealer, broker, salesperson or other person has been authorized by the County or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2020 Senior Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Series 2020 Senior Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been furnished by the County and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriters. The information and expressions of opinion 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 affairs of the County since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020 SENIOR BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in the following information constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the County’s forecasts in any way. Except as set forth in the Continuing Disclosure Certificate, a form of which is attached as Appendix E, the County does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

The Series 2020 Senior Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act. The Series 2020 Senior Bonds have not been registered or qualified under the securities laws of any state.

The County and the Airport System maintain websites, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Series 2020 Senior Bonds.

County of Sacramento
Board of Supervisors

Phil Serna	Chair, Supervisor, District 1
Patrick Kennedy	Supervisor, District 2
Susan Peters	Supervisor, District 3
Sue Frost	Vice Chair, Supervisor, District 4
Don Nottoli	Supervisor, District 5

County Officials

Navdeep S. Gill	County Executive
Lisa Travis	County Counsel
Britt Ferguson	Chief Fiscal Officer
Ben Lamera	Director of Finance
Colin Bettis	County Debt Officer
Cindy Nichol	Director of Airports

Special Services

BOND COUNSEL

ORRICK, HERRINGTON & SUTCLIFFE LLP

DISCLOSURE COUNSEL

STRADLING YOCCA CARLSON & RAUTH,
A PROFESSIONAL CORPORATION

TRUSTEE

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.
LOS ANGELES, CALIFORNIA

MUNICIPAL ADVISOR

PFM FINANCIAL ADVISORS LLC
SAN FRANCISCO, CALIFORNIA

VERIFICATION AGENT

SAMUEL KLEIN AND COMPANY
NEWARK, NEW JERSEY

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$79,705,000
COUNTY OF SACRAMENTO
Airport System Senior Revenue Refunding Bonds
Series 2020
(Non-AMT Private Activity)

INTRODUCTION

This introduction contains only a brief summary of the terms included for the Series 2020 Senior Bonds being offered and a brief description of the Official Statement. All statements contained herein are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given to such terms under the Indenture (as defined herein). See APPENDIX C – "SUMMARY OF THE INDENTURE – CERTAIN DEFINITIONS."

Purpose

The purpose of this Official Statement, which includes the cover page, the inside cover pages and appendices hereto, is to set forth certain information concerning the issuance and sale of the County of Sacramento (the "County") $79,705,000 Airport System Senior Revenue Refunding Bonds, Series 2020 (Non-AMT Private Activity) (the "Series 2020 Senior Bonds"). The Series 2020 Senior Bonds are being issued to: (i) refund the outstanding County of Sacramento Airport System Senior Revenue Bonds, Series 2010 (the "Refunded Bonds"); and (ii) pay certain costs of issuance of the Series 2020 Senior Bonds, all as more fully described herein. See "PLAN OF REFUNDING."

The Airport System

The County is a political subdivision of the State of California. The Sacramento County Board of Supervisors ("Board") oversees the operation of the Airport System, which is comprised of Sacramento International Airport ("International Airport"), Sacramento Mather Airport ("Mather Airport"), Sacramento Executive Airport ("Executive Airport"), and Franklin Field. The Airport System is owned by the County (except for Executive Airport, which is leased as described herein), is operated as a self-sufficient enterprise fund and is administered by the Director of Airports (the "Director"). The Director reports to the County Executive. See "THE AIRPORT SYSTEM."

The Series 2020 Senior Bonds

The Series 2020 Senior Bonds are being issued pursuant to a Master Indenture of Trust, dated as of May 1, 2008, between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (the "Master Indenture"), as supplemented by a Tenth Supplemental Indenture of Trust, dated as of August 1, 2020 between the County and the Trustee (the "Tenth Supplemental Indenture" and, together with the Master Indenture, as supplemented and amended from time to time, the "Indenture"). See APPENDIX C – "SUMMARY OF THE INDENTURE."

The Series 2020 Senior Bonds are subject to optional redemption prior to their stated maturities as described herein. See "THE SERIES 2020 SENIOR BONDS – Redemption Provisions."

The Series 2020 Senior Bonds are being issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be made available to beneficial owners through the book-entry only system maintained by DTC. See APPENDIX D– "BOOK-ENTRY ONLY SYSTEM."

Security for the Series 2020 Senior Bonds

The Series 2020 Senior Bonds are secured by the Trust Estate (as defined herein), subject to the application of the moneys included in the Trust Estate on the terms and conditions and for the purposes set forth in the Indenture. The primary component of the Trust Estate is the Net Revenues (as defined herein) derived by the County from the operation of the Airport System. The Series 2020 Senior Bonds constitute Senior Obligations (as defined herein) pursuant to the Indenture and are secured by the Trust Estate and payable from Net Revenues on a parity basis with Senior Obligations previously issued by the County. The Indenture provides that the County may issue additional Senior Obligations secured by the Trust Estate and payable from the Net Revenues on a parity basis with the Series 2020 Senior Bonds and other Senior Obligations previously issued by the County, subject to the terms and conditions of the Indenture, as more fully described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 SENIOR BONDS — Additional Senior Obligations" and " – Existing Senior Obligations."

The County has previously issued Subordinate Obligations (as defined herein) pursuant to the Indenture that are secured by the Trust Estate and payable from the Net Revenues on a subordinate basis to the Senior Obligations. The Indenture provides that the County may incur additional Obligations (as defined herein) secured by the Trust Estate and payable from the Net Revenues on a subordinate basis to the Senior Obligations (the "Subordinate Obligations" and "Junior Subordinate Obligations") subject to the terms and conditions of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 SENIOR BONDS —Additional Subordinate Obligations," " – Existing Subordinate Obligations" and " – Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations."

THE PRINCIPAL, OR REDEMPTION PRICE, OF AND INTEREST AND OTHER PAYMENTS ON THE SERIES 2020 SENIOR BONDS ARE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THE PAYMENT THEREOF, AND THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2020 SENIOR BONDS EXCEPT FROM THE TRUST ESTATE. THE GENERAL FUND OF THE COUNTY IS NOT LIABLE AND THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COUNTY IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST AND OTHER PAYMENTS ON THE SERIES 2020 SENIOR BONDS. NO TAX OR ASSESSMENT SHALL EVER BE LEVIED OR COLLECTED TO PAY THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST AND OTHER PAYMENTS ON THE SERIES 2020 SENIOR BONDS AND THE SERIES 2020 SENIOR BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE PROPERTY OF THE COUNTY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE TRUST ESTATE AS PROVIDED IN THE INDENTURE. NEITHER THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST OR OTHER PAYMENTS ON THE SERIES 2020 SENIOR BONDS IS A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OR THE STATE OF CALIFORNIA.

Senior Debt Service Reserve Fund

The Indenture provides that the Series 2020 Senior Bonds will be secured by the Senior Debt Service Reserve Fund established pursuant to the Indenture. The Indenture requires that the Senior Debt Service Reserve Fund be funded in an amount equal to the Senior Debt Service Reserve Requirement (as defined herein). Amounts in the Senior Debt Service Reserve Fund are to be used solely for the purpose of payment of principal of and interest on the Series 2020 Senior Bonds and any other Participating Senior Bonds in the event that amounts on deposit in the Senior Debt Service Fund are insufficient for such purpose, or for the retirement of all Senior Bonds (as defined herein) upon the terms provided in the Indenture. "Participating Senior Bonds" are defined in the Indenture as all Series of Senior Bonds except those which are determined by the County pursuant to a Supplemental Indenture not to be secured by the Senior Debt Service Reserve Fund. Upon the issuance of the Series 2020 Senior Bonds and the application of the proceeds thereof, the Series 2020 Senior

Bonds, the Series 2018 Senior Bonds and the Series 2016 Senior Bonds will constitute the Participating Senior Bonds.

In lieu of the deposits and transfers to the Senior Debt Service Reserve Fund (or in substitution for amounts already on deposit therein), the Indenture authorizes the County to utilize a Reserve Guaranty or Reserve Guaranties to satisfy all or a portion of the Senior Debt Service Reserve Requirement, subject to satisfaction of the conditions set forth in the Indenture. The Senior Debt Service Reserve Fund does not secure payment of principal, or Redemption Price, of or interest on any Subordinate Obligation, Junior Subordinate Obligation or Junior Obligation (as defined herein).

See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 SENIOR BONDS — Senior Debt Service Reserve Fund."

Existing Obligations

Senior Obligations. The following table describes the County's outstanding Senior Obligations as of the date of issuance of the Series 2020 Senior Bonds. The table reflects the defeasance of the 2021 and 2022 maturities of the Series 2010 Senior Bonds (as defined herein) and Series 2018 Senior Bonds (as defined herein), which occurred on June 25, 2020.

Series	**Outstanding Principal Amount**
Airport System Senior Revenue Refunding Bonds, Series 2016A (the "Series 2016 Senior Bonds")	$89,000,000
Airport System Senior Revenue Refunding Bonds, Series 2018A (Non-AMT) (the "Series 2018A Senior Bonds")	47,815,000
Airport System Senior Revenue Refunding Bonds, Series 2018B (Non-AMT Private Activity) (the "Series 2018B Senior Bonds")	88,290,000
Airport System Senior Revenue Refunding Bonds, Series 2018C (AMT) (the "Series 2018C Senior Bonds" and, together with the Series 2018A Senior Bonds and the Series 2018B Senior Bonds, the "Series 2018 Senior Bonds")	250,910,000
Airport System Senior Revenue Refunding Bonds, Series 2020 (Non-AMT Private Activity) (the "Series 2020 Senior Bonds")	79,705,000

The Series 2010 Senior Bonds were issued pursuant to the Master Indenture, as supplemented and amended by a Fifth Supplemental Indenture of Trust, dated as of August 1, 2010, between the County and the Trustee (the "Fifth Supplemental Indenture"). The Series 2016 Senior Bonds were issued pursuant to the Master Indenture, as supplemented and amended by a Sixth Supplemental Indenture of Trust, dated as of December 1, 2016, between the County and the Trustee (the "Sixth Supplemental Indenture"). The Series 2018 Senior Bonds were issued pursuant to the Master Indenture, as supplemented and amended by an Eighth Supplemental Indenture of Trust, dated as of May 1, 2018, between the County and the Trustee (the "Eighth Supplemental Indenture").

Subordinate Obligations. The following table describes the County's outstanding Subordinate Obligations as of July 15, 2020:

Series	**Outstanding Principal Amount**
Airport System Subordinate Revenue Refunding Bonds, Series 2016 (the "Series 2016 Subordinate Bonds")	$92,790,000
Airport System Subordinate Revenue Refunding Bonds, Series 2018D (Non-AMT) (the "Series 2018D Subordinate Bonds")	17,625,000
Airport System Subordinate Revenue Refunding Bonds, Series 2018E (Non-AMT Private Activity) (the "Series 2018E Subordinate Bonds")	99,360,000
Airport System Subordinate Revenue Refunding Bonds, Series 2018F (AMT) (the "Series 2018F Subordinate Bonds" and, together with the Series 2018D Subordinate Bonds and the Series 2018E Subordinate Bonds, the "Series 2018 Subordinate Bonds").	10,320,000

The Series 2016 Subordinate Bonds were issued pursuant to the Master Indenture, as supplemented and amended by a Seventh Supplemental Indenture of Trust, dated as of December 1, 2016, between the County and the Trustee (the "Seventh Supplemental Indenture"). The Series 2018 Subordinate Bonds were issued pursuant to the Master Indenture, as supplemented and amended by a Ninth Supplemental Indenture of Trust, dated as of May 1, 2018, between the County and the Trustee (the "Ninth Supplemental Indenture").

Rate Covenant

The County has covenanted in the Indenture to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, at levels specified in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 SENIOR BONDS– Rate Covenant" and APPENDIX C– "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE – Covenants and Obligations of the County – Rates and Charges."

COVID-19; Other Investment Considerations

Airports in the United States, including International Airport, have been acutely impacted by the broad-based economic shutdown resulting from efforts to stop the spread of COVID-19, including reductions in flights and declines in passenger volumes. The outbreak has adversely affected domestic and international travel and travel-related industries. Airlines are reporting unprecedented downturns in passenger volumes, which in turn, has resulted in a considerable reduction in scheduled service. For a discussion of existing and potential future impacts of the operations and financial condition of the Airport System, see "COVID-19 PANDEMIC."

An investment in the Series 2020 Senior Bonds involves other risks in addition to COVID-19. For a summary of certain risk factors associated with an investment in the Series 2020 Senior Bonds, see "INVESTMENT CONSIDERATIONS."

Continuing Disclosure

The County has covenanted for the benefit of the holders and beneficial owners of the Series 2020 Senior Bonds to provide certain financial information and operating data relating to the Airport System by not later than seven months following the end of the County's Fiscal Year (presently June 30) (the "Annual Report"), commencing with the report for Fiscal Year 2019-20, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of events will be filed by the County electronically with the Electronic Municipal Market Access ("EMMA") system. The specific nature of the information to be contained in the Annual Report and the notice of events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE."

Summaries and Additional Information

There follows in this Official Statement a description of the Airport System and its management and operations, and certain information relating to the County and sources of payment for the Series 2020 Senior Bonds, together with summaries of the terms of the Series 2020 Senior Bonds and certain provisions of the Indenture. All references herein to agreements and documents are qualified in their entirety by reference to the definitive forms thereof, and all references to the Series 2020 Senior Bonds are further qualified by reference to the information with respect thereto contained in the Indenture.

This Official Statement speaks only as of its date. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale on the basis hereof shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Airport System since the date hereof.

PLAN OF REFUNDING

A portion of the proceeds of the Series 2020 Senior Bonds will be used to refund the Refunded Bonds. Such portion of the proceeds of the Series 2020 Senior Bonds, together with other available moneys, will be deposited in an escrow fund for the Refunded Bonds (the "Escrow Fund") to be created and maintained by The Bank of New York Mellon Trust Company, NA., as trustee, acting as escrow agent (the "Escrow Agent") under an escrow agreement (the "Escrow Agreement"), between the County and the Escrow Agent. Upon the deposit of a portion of the Series 2020 Senior Bond proceeds, together with other available moneys, in the Escrow Fund as described above, the Refunded Bonds will be discharged in accordance with the Indenture. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS." The Refunded Bonds are expected to be redeemed on or about September 14, 2020.

Certain information relating to the Refunded Bonds is set forth below.

COUNTY OF SACRAMENTO AIRPORT SYSTEM
Senior Revenue Bonds, Series 2010

Maturity Date (July 1)	Interest Rate	Principal Amount	Redemption Price	CUSIP† (Base: 786107)
2023	4.000%	$ 995,000	100%	NL2
2023	5.000	2,600,000	100	NV0
2024	5.000	3,765,000	100	NM0
2025	5.000	3,950,000	100	NN8
2026	5.000	4,150,000	100	NR9
2027	5.000	4,360,000	100	NS7
2028	4.500	550,000	100	NT5
2028	5.000	4,030,000	100	NW8
2030	5.000	9,845,000	100	NP3
2040	5.000	66,615,000	100	NQ1
TOTAL		$ 100,860,000		

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Series 2020 Senior Bonds are as follows:

SOURCES:	
Par Amount	$79,705,000.00
Original Issue Premium	21,283,732.60
Amounts Available from Refunded Bonds	1,547,449.06
TOTAL	$102,536,181.66
USES:	
Escrow for Refunded Bonds	$101,880,034.06
Costs of Issuance(1)	656,147.60
TOTAL	$102,536,181.66

(1) Includes fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Trustee, and the Rating Agencies; Underwriters' discount; printing costs; and other miscellaneous expenses. For a description of the Underwriters' discount, see "UNDERWRITING."

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THE SERIES 2020 SENIOR BONDS

General

The Series 2020 Senior Bonds shall be dated the date of delivery, shall be issued in fully registered form in denominations of $5,000 or any integral multiple of $5,000 and shall mature on the dates and in the principal amounts as set forth on the inside cover page. Interest on the Series 2020 Senior Bonds is payable on January 1, 2021 and semiannually thereafter on January 1 and July 1 in each year, at the rates set forth on the inside cover page.

The Series 2020 Senior Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2020 Senior Bonds. For so long as Cede & Co., as nominee of DTC, is registered owner of the Series 2020 Senior Bonds, payments of the principal of, premium, if any, and interest on the Series 2020 Senior Bonds will be made directly to DTC. Disbursement of such payment to Direct Participants and Indirect Participants is the responsibility of the Direct Participants and the Indirect Participants, each such term as hereinafter defined. See APPENDIX D– "BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

Optional Redemption. The Series 2020 Senior Bonds maturing on and after July 1, 2031 are subject to redemption prior to their stated maturities, at the option of the County and from any source of funds, in whole or in part (in such amounts as may be specified by the County) on any date on or after July 1, 2030 at the Redemption Price equal to the principal amount of the Series 2020 Senior Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium.

Notice. Notice of redemption shall be mailed, by first class mail, postage prepaid, not more than 60 nor less than 30 days before the redemption date to the Owners of any Series 2020 Senior Bonds to be redeemed (in whole or in part) at their addresses appearing in the Bond Register. Such notice shall specify the maturity date of the Series 2020 Senior Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption shall be payable and, if less than all of the Series 2020 Senior Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2020 Senior Bonds so to be redeemed, and, in the case of Series 2020 Senior Bonds to be redeemed in part only, such notice shall also specify the respective portion of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2020 Senior Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portion of the principal amount thereof to be redeemed in the case of Series 2020 Senior Bonds to be redeemed in part only, and that, if sufficient moneys are available on the redemption date to pay the Redemption Price of all Series 2020 Senior Bonds to be redeemed, from and after such date interest on such Series 2020 Senior Bond or the portion of such Series 2020 Senior Bond to be redeemed shall cease to accrue and be payable.

Receipt of such notice shall not be a condition precedent to the redemption of Series 2020 Senior Bonds and failure of any Owner of a Series 2020 Senior Bond to receive any such notice or any insubstantial defect in such notice shall not affect the validity of the proceedings for the redemption of Series 2020 Senior Bonds. Any defect in such notice given to the Owners of less than all of the Series 2020 Senior Bonds to be redeemed shall not affect the validity of the proceedings for the redemption of the Series 2020 Senior Bonds as to which the notice of redemption did not contain such defect.

In the event that funds required to pay the Redemption Price of the Series 2020 Senior Bonds are not on deposit with the Trustee at the time the notice with respect to any redemption of Series 2020 Senior Bonds at the option of the County is given, such notice shall state that such redemption is conditioned upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the Redemption Price of the Series 2020 Senior Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the County shall not be required to redeem such Series 2020 Senior Bonds. In the event a notice of redemption of Series 2020 Senior Bonds contains such a condition and such moneys are not so received, the redemption of Series 2020 Senior Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given that such moneys were not so received and that there shall be no redemption of Series 2020 Senior Bonds pursuant to the conditional notice of redemption.

Selection of Series 2020 Senior Bonds to Be Redeemed. If less than all of the Outstanding Series 2020 Senior Bonds are to be redeemed at the option of the County at any one time, the County may select the principal amounts, sinking fund installments and maturities of such Series 2020 Senior Bonds to be redeemed (which maturities, sinking fund installments and principal amounts to be redeemed shall be determined by the County in its sole discretion, provided that, with respect to any Series 2020 Senior Bond to be redeemed in part, the portion of such Series 2020 Senior Bond which is not to be redeemed shall be in an Authorized Denomination). If less than all of the Series 2020 Senior Bonds of like maturity are to be called for prior redemption, the particular Series 2020 Senior Bonds or portions of Series 2020 Senior Bonds of such maturity to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate.

Effect of Redemption. If notice of redemption has been duly mailed to the Owners of the Series 2020 Senior Bonds to be redeemed (in whole or in part) and the amount necessary to pay the Redemption Price of the Series 2020 Senior Bonds to be redeemed is available therefor on the date fixed for redemption, then the Series 2020 Senior Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the applicable Redemption Price thereof, the Series 2020 Senior Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Series 2020 Senior Bonds or portions thereof shall cease to bear further interest and after the date fixed for redemption no Owner of such Series 2020 Senior Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Indenture, or any other rights, except with respect to payment of the Redemption Price thereof from the amounts so made available.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 SENIOR BONDS

Pledge of Trust Estate; Net Revenues

Subject to the application of the moneys included in the Trust Estate on the terms and conditions and for the purposes set forth in the Indenture, and with the respective priorities set forth therein, the Series 2020 Senior Bonds are payable from and secured by the Trust Estate. The primary component of the Trust Estate is the Net Revenues derived by the County from the operation of the Airport System.

Under the Indenture, the "Airport System" means the whole and each and every part of the existing airport system of the County, including International Airport, Mather Airport, Executive Airport and Franklin Field and any other airport or aviation facility owned or operated by the County and designated by the County to be part of the Airport System, including runways, taxiways, landing pads, aprons, ramps, beacon sites, obstruction lights, navigational and landing aids, control towers, facilities for storage of aircraft and for parking of automobiles, roadways, passenger and freight terminals, land, easements and rights in land for clear zone and approach purposes, maintenance hangars and related facilities and all equipment, buildings, grounds, facilities, utilities and structures owned, leased or operated in connection with or for the promotion or the accommodation of air commerce and air navigation and services in connection therewith, together with all additions, betterments, extensions, replacements, renewals and improvements thereto which may hereafter be undertaken. The term "Airport System," however, does not include a Special Facility so long as Special Facility Obligations are Outstanding with respect to such Special Facility.

The Indenture defines "Net Revenues" as, for any period of time, the Revenues (defined below) for such period less the Operating Expenses (defined below) for such period. Under the Indenture "Revenues" means all income, receipts, earnings and revenues (including, but not limited to, any Subsidy) received by or accrued to the Airport System from the ownership or operation of the Airport System, excluding, except to the extent deposited in the Revenue Fund: (a) gifts, grants and other funds otherwise included in the definition of "Revenues" which are restricted by their terms to purposes inconsistent with the payment of Operating Expenses or payment of Obligations; (b) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds are restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of Operating Expenses or the payment of Obligations; (c) except as and to the extent included in calculations made pursuant to the rate covenant contained in the Indenture and described under "—Rate Covenant," any Transfer; (d) except as provided in the Indenture, any Special Facility Revenue; (e) any gain from the sale, exchange or other disposition of capital assets of the Airport System; (f) any Released Revenues; (g) any unrealized gains on securities held for investment by or on behalf of the County; (h) any gains resulting from changes in valuation of any Swap; (i) any unrealized gains from the write-down, reappraisal or revaluation of assets; (j) the proceeds of Obligations; (k) Facilities Construction Credits; (l) Passenger Facility Charges; (m) Customer Facility Charges; (n) Grant Funds; (o) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Obligations; (p) any arbitrage earnings which are required to be paid to the United States of America pursuant to Section 148 of the Code; and (q) interest earnings or other investment earnings on any Account in the Construction Fund established by any Supplemental Indenture unless otherwise provided in such Supplemental Indenture.

The Indenture provides that for purposes of testing compliance with the rate covenant contained in the Indenture and described below under "—Rate Covenant" and the limitations on the issuance of Obligations contained in the Indenture and described under "—Additional Senior Obligations," "—Additional Subordinate Obligations" and "—Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations," Revenues will be calculated based upon Generally Accepted Accounting Principles, except that such calculation will include and exclude those items specifically included or excluded in the definition thereof described above or in the definition of Accrued Debt Service or Aggregate Adjusted Annual Debt Service, as applicable.

In addition, the Indenture provides that for purposes of meeting any of the tests prescribed by the Indenture, including the rate covenant contained in the Indenture and described below under "—Rate Covenant" and the limitations on the issuance of Obligations contained in the Indenture and described under "—Additional Senior Obligations," "—Additional Subordinate Obligations" and "—Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations," any transfers from the Capital Improvement Fund to the Revenue Fund will be deemed to be "Revenues." These transfers are not subject to any limit on amount.

The term "Operating Expenses" is defined in the Indenture as the reasonable and necessary costs and expenses of operating, maintaining and administering the Airport System, determined in accordance with Generally Accepted Accounting Principles, including (among other things) salaries and wages, payments in connection with medical, pension and post-retirement medical plans, fees for services, costs of materials, supplies and fuel, reasonable expenses of management, repairs and other expenses necessary to maintain and preserve the Airport System in good repair and working order, reasonable amounts for administration, insurance, taxes (if any) and other similar costs, legal fees and expenses, the fees and expenses of the Fiduciaries, charges under management agreements for the operation and maintenance of the Airport System, the fees and expenses of remarketing agents, auction agents and broker-dealers, the regularly scheduled fees to be paid pursuant to any Credit Support Agreement, expenses (but not debt service) incurred in connection with the purchase or redemption of Obligations, and all other costs properly allocable to the operation, maintenance or administration of the Airport System, but excluding in all cases: (a) amortization of intangibles or other bookkeeping entries of a similar nature; (b) amortization and depreciation of Airport System facilities and assets; (c) charges for the payment of principal, Redemption Price, Purchase Price, interest or other payments on any Obligations; (d) any items chargeable to a capital account; (e) any loss from the sale, exchange or other disposition of capital assets of the Airport System; (f) any unrealized losses on securities held for investment by or on behalf of the County for the Airport System; (g) any losses resulting from changes in valuation of any Swap; (h) any unrealized losses from the write-down, reappraisal or revaluation of assets including investments for "other than temporary" declines in book value; (i) any extraordinary losses; (j) any loss resulting from extinguishment of indebtedness; (k) the costs and expenses of operating, maintaining and administering any Special Facility; (l) any costs and expenses paid or expected to be paid, or for which the County (or an entity controlled by the County) is or is expected to be reimbursed, from or through any source (including Released Revenues) that is not included or includable in the definition of "Revenues"; and (m) any costs and expenses to the extent such costs and expenses are directly related or reasonably allocable to a category of Released Revenues, as determined by the County.

The Indenture provides that for purposes of testing compliance with the rate covenant contained in the Indenture and described below under "—Rate Covenant" and the limitations on the issuance of Obligations contained in the Indenture and described under "—Additional Senior Obligations," "—Additional Subordinate Obligations" and "—Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations," Operating Expenses will be calculated based upon Generally Accepted Accounting Principles, except that such calculation will include and exclude those items specifically included or excluded in the definition thereof described above.

THE PRINCIPAL, OR REDEMPTION PRICE, OF AND INTEREST AND OTHER PAYMENTS ON THE SERIES 2020 SENIOR BONDS ARE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THE PAYMENT THEREOF, AND THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2020 SENIOR BONDS EXCEPT FROM THE TRUST ESTATE. THE GENERAL FUND OF THE COUNTY IS NOT LIABLE AND THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COUNTY IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST AND OTHER PAYMENTS ON THE SERIES 2020 SENIOR BONDS. NO TAX OR ASSESSMENT SHALL EVER BE LEVIED OR COLLECTED TO PAY THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST OR OTHER PAYMENTS ON THE SERIES 2020 SENIOR BONDS AND THE SERIES 2020 SENIOR BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE PROPERTY OF THE COUNTY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE TRUST ESTATE AS PROVIDED IN THE INDENTURE. NEITHER THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST OR OTHER PAYMENTS ON THE SERIES 2020 SENIOR BONDS IS A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OR THE STATE OF CALIFORNIA.

Released Revenues

The Indenture permits the County to cause a category of income, receipts or other revenues then included in the definition of "Revenues" to be excluded from such definition for all purposes of the Indenture (such Revenues so excluded constituting "Released Revenues"). Such exclusion will be effective from the date the County files all of the following with the Trustee: (a) a written request from an Authorized Airport Representative to release such category of income, receipts and other revenues from the definition of "Revenues" contained in the Indenture, accompanied by a written certificate of an Authorized Airport Representative certifying that the County is in compliance with all requirements of the Indenture; (b) a certificate of an Authorized Airport Representative or a report of an Independent Certified Public Accountant to the effect that Net Revenues, excluding the category of Revenues proposed to become Released Revenues and any corresponding Released Revenues Related Expenses, for each of the two Fiscal Years for which audited financial statements are available immediately preceding the date of such certificate or report, were sufficient to satisfy the rate covenant set forth in the Indenture and described under "—Rate Covenant" for each of the two such Fiscal Years, assuming that 150% (instead of 125%) was used in the provisions of the Indenture described in subparagraph (b)(i) under the subheading "—Rate Covenant" below, 125% (instead of 110%) was used in the provisions of the Indenture described in subparagraph (b)(ii) under the subheading "—

Rate Covenant" below and 110% (instead of 100%) was used in the provisions of the Indenture described in subparagraph (b)(iii) under the subheading "—Rate Covenant" below; (c) a certificate of an Authorized Airport Representative or an Airport Consultant retained by the County to the effect that based upon current knowledge of the operations of the Airport System, Net Revenues, excluding the category of Revenues proposed to become Released Revenues and any corresponding Released Revenues Related Expenses, for the current Fiscal Year (and the preceding Fiscal Year if such year is not included in the certificate required by the Indenture described in clause (b) of this paragraph) are expected to be sufficient to satisfy the rate covenant set forth in the Indenture and described under "—Rate Covenant" below for such Fiscal Year, assuming that 150% (instead of 125%) was used in the provisions of the Indenture described in subparagraph (b)(i) under the subheading "—Rate Covenant" below, 125% (instead of 110%) was used in the provisions of the Indenture described in subparagraph (b)(ii) under the subheading "—Rate Covenant" below and 110% (instead of 100%) was used in the provisions of the Indenture described in subparagraph (b)(iii) under the subheading "—Rate Covenant" below; and (d) a Rating Confirmation in connection with the withdrawal of the category of income, receipts and other revenues proposed to become Released Revenues. In addition, at the option of the County and without satisfying any of the requirements described in this paragraph, all or any portion of any income, receipts and other revenues of the County derived from any hotel owned by the County (or another entity controlled by the County) as part of, or in connection with, the Airport System will be Released Revenues under the Indenture. The County may also, at any time, cause all or any portion of any Released Revenues to be included in the definition of "Revenues" for all purposes of the Indenture (and thereby also include any corresponding Released Revenues Related Expenses in the definition of "Operating Expenses" for all purposes of the Indenture). To date, the County has not designated any Released Revenues.

Obligations Issued or Incurred under Indenture

Under the Indenture, Obligations may be issued or incurred subject to the terms, conditions and limitations established under the Master Indenture, any Supplemental Indenture or Issuing Instrument. Obligations may consist of Bonds or any other obligation of the County issued pursuant to the Master Indenture, any Supplemental Indenture or Issuing Instrument and are secured under the Indenture as "Senior Obligations," "Subordinate Obligations" or "Junior Subordinate Obligations." In addition, nothing in the Indenture prohibits the County from issuing obligations payable from and secured by the Trust Estate if such obligations are subordinate in payment and priority to the Junior Subordinate Obligations, the Subordinate Obligations and the Senior Obligations (each, a "Junior Obligation"). Pursuant to the Indenture, all Senior Obligations shall be senior in payment and priority to all Subordinate Obligations, Junior Subordinate Obligations and Junior Obligations.

Upon the issuance of the Series 2020 Senior Bonds and the application of the proceeds thereof, the Series 2020 Senior Bonds, the Series 2018 Senior Bonds and the Series 2016 Senior Bonds will constitute the Outstanding Senior Obligations under the Indenture. "Senior Obligations" include Senior Bonds, Reimbursement Obligations related to Senior Bonds and Net Payments due under Qualified Swaps related to Senior Bonds but do not include Termination Payments under Qualified Swaps related to Senior Bonds.

The Series 2018 Subordinate Bonds and the Series 2016 Subordinate Bonds constitute the Outstanding Subordinate Obligations under the Indenture. "Subordinate Obligations" include Termination Payments under Qualified Swaps related to Senior Bonds, Subordinate Bonds, Reimbursement Obligations related to Subordinate Bonds and Net Payments under Qualified Swaps related to Subordinate Bonds but do not include Termination Payments under Qualified Swaps related to Subordinate Bonds.

"Junior Subordinate Obligations" include any Termination Payments under Qualified Swaps for Subordinate Bonds, Junior Subordinate Bonds, Reimbursement Obligations related to Junior Subordinate Bonds and Net Payments and Termination Payments under Swaps related to Junior Subordinate Bonds. As of the date of issuance of the Series 2020 Senior Bonds, there will be no Junior Subordinate Obligations or Junior Obligations Outstanding under the Indenture. See APPENDIX C– "SUMMARY OF THE INDENTURE."

Flow of Airport System Revenues

Under the Indenture, all Revenues are required to be promptly deposited upon receipt thereof to the credit of a special fund designated as the "Revenue Fund" held by the County. As soon as practicable in each month, but in any case no later than the first Business Day of such month, the County will withdraw moneys from the Revenue Fund and apply such moneys to the deposits and payments indicated below, in the amounts and in the priority, set forth below. In the event there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments will be made in the priority of the lettered paragraphs below. In the event any of the lettered paragraphs below requires more than one such deposit or payment and there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments will be made pro rata (based on the total amount of such deposits and payments then due) to the extent of available moneys.

(a) First, to the Operating Fund (to be held by the County) the amount which, together with any amount therein available to pay such Operating Expenses (other than amounts in the Operating Reserve Account), is equal to the total amount appropriated for Operating Expenses in such month pursuant to the then current Annual Budget.

(b) Second:

(i) to the Senior Debt Service Fund (to be held by the Trustee), the amount, if any, required so that the balance in said Fund shall equal the Accrued Debt Service on all Outstanding Senior Bonds (including the Series 2020 Senior Bonds) as of the last day of such month;

(ii) to the extent not included in Debt Service on Senior Bonds, to each Credit Provider of a Credit Support Instrument relating to the Senior Bonds, the amount of the Reimbursement Obligation, if any, payable by the County as of the last day of such month in accordance with each applicable Credit Support Agreement;

(iii) to each Qualified Counterparty, the amount of Net Payments, if any, payable by the County as of the last day of such month in accordance with each applicable Qualified Swap relating to the Senior Obligations; and

(iv) to the applicable trustee or paying agent for, or owner or payee of, Outstanding Senior Obligations not specified above in this subparagraph (b), the amount, if any, required to be paid during such month to such trustee, paying agent, owner or payee as and to the extent required by the Supplemental Indentures or Issuing Instruments for payment of such Outstanding Senior Obligations.

(c) Third:

(i) subject to the provisions of the Indenture permitting the deposit of a Reserve Guaranty or Reserve Guaranties in lieu of cash, to the Senior Debt Service Reserve Fund (to be held by the Trustee) the amount, if any, required to maintain the Senior Debt Service Reserve Fund at the applicable Senior Debt Service Reserve Requirement; provided that the maximum amount required to be deposited into the Senior Debt Service Reserve Fund in any month shall not exceed one-twelfth (1/12) of the applicable Senior Debt Service Reserve Requirement;

(ii) to each Senior Series Debt Service Reserve Fund (to be held by the Trustee), the amount, if any, required to be paid during such month pursuant to the applicable Supplemental Indenture to maintain each Senior Series Debt Service Reserve Fund at the amount required by such Supplemental Indenture;

(iii) to the applicable trustee or paying agent for, or owner of, Outstanding Senior Obligations other than Senior Bonds, the amount, if any, required to be paid during such month to such trustee, paying agent or owner pursuant to the Issuing Instruments for such Outstanding Senior Obligations to maintain each debt service reserve for such Outstanding Senior Obligations at the amount required by the applicable Issuing Instrument; and

(iv) to each Reserve Guaranty Provider relating to Senior Obligations, the amount, if any, payable by the County as of the last day of such month in accordance with each applicable Reserve Guaranty Agreement.

(d) Fourth, to the Rebate Fund (to be held by the County), the amount required to be paid for Senior Obligations pursuant to the Rebate Instructions.

(e) Fifth:

(i) to the Subordinate Debt Service Fund (to be held by the Trustee), the amount, if any, required so that the balance in said Fund shall equal the Accrued Debt Service on all Outstanding Subordinate Bonds as of the last day of such month;

(ii) to the extent not included in Debt Service on Subordinate Bonds, to each Credit Provider of a Credit Support Instrument relating to the Subordinate Bonds, the amount of the Reimbursement Obligation, if any, payable by the County as of the last day of such month in accordance with each applicable Credit Support Agreement;

(iii) to each Qualified Counterparty, the amount of Net Payments, if any, payable by the County as of the last day of such month in accordance with each applicable Qualified Swap relating to the Subordinate Obligations or investments in funds established by the Indenture;

(iv) to the applicable trustee or paying agent for, or owner or payee of, Outstanding Subordinate Obligations not specified above in this subparagraph (e), the amount, if any, required to be paid during such month to such trustee, paying agent, owner or payee as and to the extent required by the Supplemental Indentures or Issuing Instruments for payment of such Outstanding Subordinate Obligations; and

(v) to each Qualified Counterparty, the balance of the amounts to be paid by the County, if any, as of the last day of such month in accordance with each applicable Qualified Swap relating to Senior Obligations, including any Termination Payments.

(f) Sixth:

(i) subject to the provisions of the Indenture permitting the deposit of a Reserve Guaranty or Reserve Guaranties in lieu of cash, to the Subordinate Debt Service Reserve Fund (to be held by the Trustee), the amount, if any, required to maintain the Subordinate Debt Service Reserve Fund at the applicable Subordinate Debt Service Reserve Requirement; provided that the maximum amount required to be deposited into the Subordinate Debt Service Reserve Fund in any month shall not exceed one-twelfth (1/12) of the applicable Subordinate Debt Service Reserve Requirement;

(ii) to each Subordinate Series Debt Service Reserve Fund (to be held by the Trustee), the amount, if any, required to be paid during such month pursuant to the applicable Supplemental Indenture to maintain each Subordinate Series Debt Service Reserve Fund at the amount required by such Supplemental Indenture;

(iii) to the applicable trustee or paying agent for, or owner of, Outstanding Subordinate Obligations other than Subordinate Bonds, the amount, if any, required to be paid during such month to such trustee, paying agent or owner pursuant to the Issuing Instruments for such Outstanding Subordinate Obligations to maintain each debt service reserve for such Outstanding Subordinate Obligations at the amount required by the applicable Issuing Instrument; and

(iv) to each Reserve Guaranty Provider relating to Subordinate Obligations, the amount, if any, payable by the County as of the last day of such month in accordance with each applicable Reserve Guaranty Agreement.

(g) Seventh, to the Rebate Fund (to be held by the County), the amount required to be paid for Subordinate Obligations pursuant to the Rebate Instructions.

(h) Eighth, to the Operating Reserve Account (to be held by the County) one-twelfth (1/12) of the Operating Reserve Requirement, but only to the extent such deposit is required to make the amount on deposit in the Operating Reserve Account equal to the Operating Reserve Requirement.

(i) Ninth, to the Junior Subordinate Fund (to be held by the Trustee), the amount, if any, required to be paid during such month with respect to Junior Subordinate Obligations.

(j) Tenth, to the Rebate Fund (to be held by the County), the amount required to be paid for Junior Subordinate Obligations pursuant to the Rebate Instructions.

(k) Eleventh, to the Reserve and Contingency Fund (to be held by the County) an amount equal to the greater of (x) one-twelfth (1/12th) of $2,000,000 or (y) the amount, if any, provided for deposit therein during such month pursuant to the then-current Annual Budget, but only to the extent such deposit is required to make the amount on deposit in the Reserve and Contingency Fund equal to the Reserve and Contingency Requirement. "Reserve and Contingency Requirement" means, as of any date of calculation, and amount equal to $2,000,000 or such greater amount as is specified in the then-current Annual Budget.

(l) Twelfth, on the last Business Day of each month after making the deposits and payments required by subsection (a) through subsection (k) above, the County may withdraw from the Revenue Fund and deposit in the Capital Improvement Fund (to be held by the County) the balance, if any, of moneys remaining in the Revenue Fund.

Senior Debt Service Reserve Fund

The Indenture provides that the Series 2020 Senior Bonds will be secured by a Senior Debt Service Reserve Fund established pursuant to the Indenture and held by the Trustee. The Senior Debt Service Reserve Fund also secures any Participating Senior Bonds. "Participating Senior Bonds" are defined in the Indenture as all Series of Senior Bonds except those which are determined by the County pursuant to a Supplemental Indenture not to be secured by the Senior Debt Service Reserve Fund. Upon the issuance of the Series 2020 Senior Bonds and the application of the proceeds thereof, the Series 2016 Senior Bonds, the Series 2018 Senior Bonds and the Series 2020 Senior Bonds will constitute the Participating Senior Bonds.

If on the Business Day immediately preceding an Interest Payment Date for the Participating Senior Bonds, or any other date on which any principal or interest on the Outstanding Participating Senior Bonds is due, after applying amounts in the Senior Debt Service Fund ratably (based on the amounts due) to the payment of the principal and interest then due with respect to all Outstanding Senior Bonds, the amount in the Senior Debt Service Fund available for payment of the principal and interest then due with respect to all Outstanding Participating Senior Bonds is less than the amount due on such date, the Trustee will apply amounts in the Senior Debt Service Reserve Fund ratably (based on amounts due) to the extent necessary to make good the deficiency for the principal and interest then due with respect to the Outstanding Participating Senior Bonds.

With respect to the Senior Debt Service Reserve Fund, "Senior Debt Service Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) 10% of the initial offering price to the public of the Participating Senior Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service for the Participating Senior Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Participating Senior Bond is due, or (c) 125% of the sum of the Bond Debt Service for the Participating Senior Bonds for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of any Participating Senior Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service for the Participating Senior Bonds is due, divided by the number of such Fiscal Years, all as computed and determined by the County and specified in writing to the Trustee; provided, however that in determining Bond Debt Service with respect to any Participating Senior Bonds that constitute Variable Rate Obligations, the interest rate on such Participating Senior Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Participating Senior Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Participating Senior Bonds shall have been Outstanding (or if such Participating Senior Bonds that constitute Variable Rate Obligations have not yet been issued, then the interest rate on such Participating Senior Bonds shall be assumed to be equal to 110% of the average SIFMA Index during the last 12 months ending with the month preceding the date of calculation).

The Indenture permits the County to satisfy the Senior Debt Service Reserve Requirement by depositing in the Senior Debt Service Reserve Fund, in lieu of cash, a Reserve Guaranty or Reserve Guaranties in an aggregate amount equal to the difference between the applicable Senior Debt Service Reserve Requirement and the sums, if any, then on deposit in the Senior Debt Service Reserve Fund or being deposited in the Senior Debt Service Reserve Fund concurrently with such Reserve Guaranty or Guaranties. See APPENDIX C – "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE– Establishment and Application of Funds – Senior Debt Service Reserve Fund."

Under the Indenture, all cash and investments in the Senior Debt Service Reserve Fund must be used for payment of debt service on Participating Senior Bonds before any drawing may be made on any Reserve Guaranty credited to the Senior Debt Service Reserve Fund in lieu of cash. Draws on all Reserve Guaranties credited to the Senior Debt Service Reserve Fund on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Senior Debt Service Reserve Fund.

The Indenture requires the Senior Debt Service Reserve Fund to be maintained at the Senior Debt Service Reserve Requirement. Upon issuance of the Series 2020 Senior Bonds and the refunding of the Refunded Bonds, the Senior Debt Service Reserve Requirement will be approximately $50.1 million which will be satisfied by amounts currently on deposit in the Senior Debt Service Reserve Fund in the amount of approximately $18.4 million and a Reserve Policy issued by Assured Guaranty Municipal Corp. in the amount of $31.7 million.

As described above, the Indenture provides that the Senior Debt Service Reserve Fund will secure payment of principal of and interest on all Participating Senior Bonds. Additional Participating Senior Bonds secured by the Senior Debt Service Reserve Fund may be issued from time to time upon compliance with the terms of the Indenture. See "—Additional Senior Obligations" below.

The Indenture also permits the County to establish separate Senior Series Debt Service Reserve Funds upon the issuance of additional Senior Bonds that are not Participating Senior Bonds and to establish reserve funds for other Senior Obligations. Such Senior Series Debt Service Reserve Funds and reserve funds for other Senior Obligations will not secure payment of principal, or Redemption Price, of or interest on the Series 2020 Senior Bonds. In addition, the Indenture permits reserve funds to be established for Subordinate Obligations and Junior Subordinate Obligations. Such reserve funds will not secure payment of principal, or

Redemption Price, of or interest on the Series 2020 Senior Bonds. **The Senior Debt Service Reserve Fund does not secure payment of principal, or Redemption Price, of or interest on any Subordinate Obligations, Junior Subordinate Obligations or Junior Obligations.**

Subordinate Debt Service Reserve Fund

A Subordinate Debt Service Reserve Fund was established pursuant to the Indenture and is held by the Trustee. The Subordinate Debt Service Reserve Fund secures any Participating Subordinate Bonds. "Participating Subordinate Bonds" are defined in the Indenture as all Series of Subordinate Bonds except those which are determined by the County pursuant to a Supplemental Indenture not to be secured by the Subordinate Debt Service Reserve Fund. The Series 2018 Subordinate Bonds and the Series 2016 Subordinate Bonds constitute the Participating Subordinate Bonds.

If on the Business Day immediately preceding an Interest Payment Date for Participating Subordinate Bonds, or any other date on which any principal or interest on the Outstanding Participating Subordinate Bonds is due, after applying amounts in the Subordinate Debt Service Fund ratably (based on the amounts due) to the payment of the principal and interest then due with respect to all Outstanding Subordinate Bonds, the amount in the Subordinate Debt Service Fund available for payment of the principal and interest then due with respect to all Outstanding Participating Subordinate Bonds is less than the amount due on such date, the Trustee will apply amounts in the Subordinate Debt Service Reserve Fund ratably (based on amounts due) to the extent necessary to make good the deficiency for the principal and interest then due with respect to the Outstanding Participating Subordinate Bonds.

With respect to the Subordinate Debt Service Reserve Fund, "Subordinate Debt Service Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) 10% of the initial offering price to the public of the Participating Subordinate Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service for the Participating Subordinate Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Participating Subordinate Bond is due, or (c) 125% of the sum of the Bond Debt Service for the Participating Subordinate Bonds for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of any Participating Subordinate Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service for the Participating Subordinate Bonds is due, divided by the number of such Fiscal Years, all as computed and determined by the County and specified in writing to the Trustee; provided, however that in determining Bond Debt Service with respect to any Participating Subordinate Bonds that constitute Variable Rate Obligations, the interest rate on such Participating Subordinate Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Participating Subordinate Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Participating Subordinate Bonds shall have been Outstanding (or if such Participating Subordinate Bonds that constitute Variable Rate Obligations have not yet been issued, then the interest rate on such Participating Subordinate Bonds shall be assumed to be equal to 110% of the average SIFMA Index during the last 12 months ending with the month preceding the date of calculation).

The Indenture permits the County to satisfy the Subordinate Debt Service Reserve Requirement by depositing in the Subordinate Debt Service Reserve Fund, in lieu of cash, a Reserve Guaranty or Reserve Guaranties in an aggregate amount equal to the difference between the applicable Subordinate Debt Service Reserve Requirement and the sums, if any, then on deposit in the Subordinate Debt Service Reserve Fund or being deposited in the Subordinate Debt Service Reserve Fund concurrently with such Reserve Guaranty or Guaranties. See APPENDIX C – "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE – Establishment and Application of Funds – Subordinate Debt Service Reserve Fund."

The Indenture requires the Subordinate Debt Service Reserve Fund to be maintained at the Subordinate Debt Service Reserve Requirement (defined below). As of the date of issuance of the Series 2020

Senior Bonds, the Subordinate Debt Service Reserve Requirement will equal approximately $17.4 million which will be satisfied by the amounts currently on deposit in the Subordinate Debt Service Reserve Fund.

As described above, the Indenture provides that the Subordinate Debt Service Reserve Fund will secure payment of principal of and interest on all Participating Subordinate Bonds. Additional Participating Subordinate Bonds secured by the Subordinate Debt Service Reserve Fund may be issued from time to time upon compliance with the terms of the Indenture. See "—Additional Subordinate Obligations" below.

The Indenture also permits the County to establish separate Subordinate Series Debt Service Reserve Funds upon the issuance of additional Subordinate Bonds that are not Participating Subordinate Bonds and to establish reserve funds for other Subordinate Obligations. Such Subordinate Series Debt Service Reserve Funds and reserve funds for other Subordinate Obligations will not secure payment of principal, or Redemption Price, of or interest on Participating Subordinate Bonds. In addition, the Indenture permits reserve funds to be established for Senior Obligations and Junior Subordinate Obligations. Such reserve funds will not secure payment of principal, or Redemption Price, of or interest on the Participating Subordinate Bonds. **The Subordinate Debt Service Reserve Fund does not secure payment of principal, or Redemption Price, of or interest on the Series 2020 Senior Bonds or any other Senior Obligation, Junior Subordinate Obligation or Junior Obligation.**

Additional Senior Obligations

The Series 2020 Senior Bonds are Senior Obligations under the Indenture. Under the Indenture, the County may, at any time and from time to time, issue any Additional Senior Obligations, provided:

(a) an Authorized County Representative or an Airport Consultant has provided to the Trustee a certificate stating that Net Revenues for either the most recent Fiscal Year for which audited financial statements of the Airport System are available or any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the month of issuance of the proposed Additional Senior Obligations were sufficient to satisfy the rate covenant set forth in the Indenture and described herein under "—Rate Covenant" for each of the next five full Fiscal Years following issuance of the Additional Senior Obligations, or each of the next two full Fiscal Years from the issuance of the Additional Senior Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Senior Obligations; or

(b) an Airport Consultant has provided to the Trustee a certificate stating that, based upon assumptions the Person signing the certificate deems reasonable, projected Net Revenues will be sufficient to satisfy the rate covenant set forth in the Indenture and described herein under "—Rate Covenant" for each of the next five full Fiscal Years following issuance of the Additional Senior Obligations, or each of the next two full Fiscal Years from issuance of the Additional Senior Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Senior Obligations.

The Indenture provides that, for purposes of (a) and (b) above, the Person signing the certificate required by such clause may assume that, in each relevant Fiscal Year, Accrued Debt Service for Outstanding Obligations will equal Aggregate Adjusted Annual Debt Service for such Fiscal Year.

Pursuant to the Indenture, for purposes of (a) above, the County will be allowed to adjust Net Revenues for earnings arising from any increase in the rates, charges and fees for the use of the Airport System which has become effective prior to the issuance of such proposed Additional Senior Obligations but which, during the Fiscal Year or 12-month period utilized by the County for purposes of (a) above, was not in effect for the entire Fiscal Year or 12-month period under consideration, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole Fiscal Year or 12-month period under consideration, as determined by an Authorized County Representative.

Under the Indenture, for purposes of (b) above, in estimating Net Revenues, the Person signing the certificate required by such clause may take into account (1) Revenues from Capital Improvements reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which has been approved by the Board and will be in effect during the period for which the estimates are provided or (3) any other increases in Revenues which the Person signing the certificate believes to be a reasonable assumption for such period.

With respect to Operating Expenses of the County, the Person signing the certificate required by the provisions of the Indenture described in (b) above shall use such assumptions as such Person believes to be reasonable, taking into account (1) historical Operating Expenses of the County, (2) Operating Expenses associated with the Capital Improvements to be funded with the proceeds of the Additional Senior Obligations proposed to be issued and any other new Capital Improvements and Airport System facilities and (3) such other factors, including inflation and changing operations or policies of the County, as the Person signing such certificate believes to be appropriate. The Person signing the certificate required by the provisions of the Indenture described in (b) above shall include in such certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Adjusted Annual Debt Service, which calculations may be based upon information provided by the County.

For purposes of preparing the certificate or certificates described above, the Authorized County Representative or Airport Consultant, as applicable, may rely upon financial statements prepared by the County which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized County Representative shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with Generally Accepted Accounting Principles.

Neither of the certificates described under (a) or (b) above shall be required if the proceeds of Additional Senior Obligations being issued will be used to pay Costs of completing the Construction of a Capital Improvement for which Senior Obligations have previously been issued and the principal amount of such Additional Senior Obligations being issued for completion purposes does not exceed an amount equal to 10% of the principal amount of the Senior Obligations originally issued for such Capital Improvement as shown in a written certificate of an Authorized County Representative and there is delivered to the Trustee (1) a certificate of an Authorized County Representative or an Airport Consultant stating that the nature and purpose of such Capital Improvement has not materially changed and that the proceeds of such Additional Senior Obligations plus any other moneys in the Construction Fund available to pay the Costs of such Capital Improvement are expected to be sufficient to pay the Costs of competing the Construction of the Capital Improvement, and (2) a certificate of an Authorized County Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Capital Improvement) of the Senior Obligations issued to finance such Capital Improvement have been or will be used to pay Costs of the Capital Improvement, indicating the amount of such proceeds and investment earnings; and (B) the then estimated Costs of the Construction of the Capital Improvement.

Without satisfying the requirements of the Indenture described above under this subheading "—Additional Senior Obligations," the County may, at any time and from time to time, issue or enter into an Obligation which is a Qualified Swap, the Net Payments under which shall constitute Senior Obligations, provided that at the time of entering into such Swap (1) the Qualified Swap shall relate to a principal amount of Outstanding Senior Obligations or Senior Obligations issued or expected to be issued; (2) the notional amount of the Qualified Swap shall not exceed the principal amount of the related Senior Obligations or Senior Obligations expected to be issued; and (3) the counterparty shall be a Qualified Counterparty.

The County may, at any time and from time to time, issue Refunding Senior Obligations provided that either: (1) the requirements of the Indenture, with respect to issuing Additional Senior Obligations generally, described above under this subheading "—Additional Senior Obligations," are satisfied upon the issuance of such Refunding Senior Obligations and the application of the proceeds thereof; or (2) the Trustee has received a certificate of an Authorized County Representative certifying that the Aggregate Adjusted Annual Debt Service for all Obligations to be Outstanding after the issuance of such Refunding Senior Obligations shall not exceed the Aggregate Adjusted Annual Debt Service for all Obligations Outstanding immediately prior to the issuance of such Refunding Senior Obligations in each Test Year. (The County expects to utilize clause (2) of the foregoing provision in connection with the issuance of the Series 2020 Senior Bonds.)

Without satisfying the requirements of the Indenture described above under this subheading "—Additional Senior Obligations," the County may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Reimbursement Obligations with respect to Senior Obligations.

All Senior Obligations shall be senior in payment and priority to all Subordinate Obligations, Junior Subordinate Obligations and Junior Obligations, shall be paid with the priority provided in the Indenture, and shall be entitled to all of the benefits provided to Senior Obligations by the terms of the Indenture and any applicable Issuing Instrument.

For purposes of complying with any of the tests relating to the issuance of Additional Senior Obligations described above, (1) any calculation of Aggregate Adjusted Annual Debt Service with respect to specified Obligations for any period of time shall be reduced by the amount of any Subsidy that the County expects to receive during such period of time relating to or in connection with such Obligations and (2) any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received or expected to be received by the County with respect to or in connection with the specified Obligations during such period of time.

As described above under "—Released Revenues," upon compliance with the terms of the Indenture, the County may cause a category of income, receipts or other revenues then included in the definition of "Revenues" to be excluded from such definition for all purposes of the Indenture. The Indenture provides that Debt Service paid from any money other than Revenues (including Released Revenues), or to be paid from any money other than Revenues (including Released Revenues) deposited with the Trustee or another Fiduciary exclusively for such purpose, is excluded from the calculation of Aggregate Adjusted Annual Debt Service under the Indenture and thus, Debt Service paid from any money other than Revenues (including Released Revenues) or to be paid from any money other than Revenues (including Released Revenues) deposited with the Trustee or another Fiduciary exclusively for such purpose, is not taken into account with respect to the tests contained in the Indenture and described under this subheading "—Additional Senior Obligations." See also "—Rate Covenant" below.

The Indenture also permits the County, upon the terms described below under "—Rate Covenant," to specify that certain Obligations will be payable from and secured by Available Revenues. Under the Indenture, if Available Revenues or moneys other than Revenues have been irrevocably committed pursuant to a Supplemental Indenture or Issuing Instrument for the purpose of paying Debt Service on specified Obligations, then the Debt Service to be paid from such amounts is excluded from the calculation of Aggregate Adjusted Annual Debt Service under the Indenture and thus such Debt Service is not taken into account with respect to the tests contained in the Indenture and described under this subheading "—Additional Senior Obligations."

In addition, as described above under "—Pledge of Trust Estate; Net Revenues," the Indenture permits the County to transfer amounts from the Capital Improvement Fund to the Revenue Fund in which case, the amounts so transferred will be deemed to be Revenues for the purposes of all tests under the Indenture, including the tests described above under this subheading "—Additional Senior Obligations." Such actual transfers of amounts in the Capital Improvement Fund to the Revenue Fund are not subject to the limitations on "Transfers" described below under "—Rate Covenant."

Existing Senior Obligations

As of the date of issuance of the Series 2020 Bonds, the Series 2018 Senior Bonds (which are currently outstanding in the aggregate principal amount of $387,015,000), the Series 2016 Senior Bonds (which are currently outstanding in the aggregate principal amount of $89,000,000) and the Series 2020 Senior Bonds (which are being issued in the aggregate principal amount of $79,705,000), will constitute the Senior Obligations outstanding pursuant to the Indenture.

Additional Subordinate Obligations

Under the Indenture, the County may, at any time and from time to time, issue any Additional Subordinate Obligations, provided:

(a) an Authorized County Representative or an Airport Consultant has provided to the Trustee a certificate stating that Net Revenues for either the most recent Fiscal Year for which audited financial statements of the Airport System are available or any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the month of issuance of the proposed Additional Subordinate Obligations were sufficient to satisfy the rate covenant set forth in the Indenture and described herein under "—Rate Covenant" for each of the next five full Fiscal Years following issuance of the Additional Subordinate Obligations, or each of the next two full Fiscal Years from the issuance of the Additional Subordinate Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Subordinate Obligations; or

(b) an Airport Consultant has provided to the Trustee a certificate stating that, based upon assumptions the Person signing the certificate deems reasonable, projected Net Revenues will be sufficient to satisfy the rate covenant set forth in the Indenture and described herein under "-Rate Covenant" for each of the next five full Fiscal Years following issuance of the Additional Subordinate Obligations, or each of the next two full Fiscal Years from issuance of the Additional Subordinate Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Subordinate Obligations.

The Indenture provides that, for purposes of (a) and (b) above, the Person signing the certificate required by such clause may assume that, in each relevant Fiscal Year, Accrued Debt Service for Outstanding Obligations will equal Aggregate Adjusted Annual Debt Service for such Fiscal Year.

Pursuant to the Indenture, for purposes of (a) above, the County shall be allowed to adjust Net Revenues for earnings arising from any increase in the rates, charges and fees for the use of the Airport System which has become effective prior to the issuance of such proposed Additional Subordinate Obligations but which, during the Fiscal Year or 12-month period utilized by the County for purposes of (a) above, was not in effect for the entire Fiscal Year or 12-month period under consideration, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole Fiscal Year or 12-month period under consideration, as determined by an Authorized County Representative.

Under the Indenture, for purposes of (b) above, in estimating Net Revenues, the Person signing the certificate required by such clause may take into account (1) Revenues from Capital Improvements reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which has been approved by the Board and will be in effect during the period for which the estimates are provided or (3) any other increases in Revenues which the Person signing the certificate believes to be a reasonable assumption for such period.

With respect to Operating Expenses of the County, the Person signing the certificate required by (b) above shall use such assumptions as such Person believes to be reasonable, taking into account (1) historical Operating Expenses of the County, (2) Operating Expenses associated with the Capital Improvements to be funded with the proceeds of the Additional Subordinate Obligations proposed to be issued and any other new Capital Improvements and Airport System facilities and (3) such other factors, including inflation and changing operations or policies of the County, as the Person signing such certificate believes to be appropriate. The Person signing the certificate required by (b) above shall include in such certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Adjusted Annual Debt Service, which calculations may be based upon information provided by the County.

For purposes of preparing the certificate or certificates described above, the Authorized County Representative or Airport Consultant, as applicable, may rely upon financial statements prepared by the County which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized County Representative shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with Generally Accepted Accounting Principles.

Neither of the certificates described under (a) or (b) above shall be required if the proceeds of Additional Subordinate Obligations being issued will be used to pay Costs of completing the Construction of a Capital Improvement for which Subordinate Obligations have previously been issued and the principal amount of such Additional Subordinate Obligations being issued for completion purposes does not exceed an amount equal to 10% of the principal amount of the Subordinate Obligations originally issued for such Capital Improvement as shown in a written certificate of an Authorized County Representative and there is delivered to the Trustee (1) a certificate of an Authorized County Representative or an Airport Consultant stating that the nature and purpose of such Capital Improvement has not materially changed and that the proceeds of such Additional Subordinate Obligations plus any other moneys in the Construction Fund available to pay the Costs of such Capital Improvement are expected to be sufficient to pay the Costs of competing the Construction of the Capital Improvement, and (2) a certificate of an Authorized County Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Capital Improvement) of the Subordinate Obligations issued to finance such Capital Improvement have been or will be used to pay Costs of the Capital Improvement, indicating the amount of such proceeds and investment earnings; and (B) the then estimated Costs of the Construction of the Capital Improvement.

Without satisfying the requirements of the Indenture described above under this subheading "—Additional Subordinate Obligations," the County may, at any time and from time to time, issue or enter into an Obligation which is a Qualified Swap, the Net Payments under which shall constitute Subordinate Obligations, provided that at the time of entering into such Swap (i) the Qualified Swap shall relate to a principal amount of Outstanding Subordinate Obligations or Subordinate Obligations issued or expected to be issued; (ii) the notional amount of the Qualified Swap shall not exceed the principal amount of the related Subordinate Obligations or Subordinate Obligations expected to be issued; and (iii) the counterparty shall be a Qualified Counterparty.

The County may, at any time and from time to time, issue Refunding Subordinate Obligations provided that either: (1) the requirements of the Indenture, with respect to issuing Additional Subordinate Obligations generally, described above under this subheading "—Additional Subordinate Obligations" are satisfied upon the issuance of such Refunding Subordinate Obligations and the application of the proceeds thereof; or (2) the Trustee has received a certificate of an Authorized County Representative certifying that the Aggregate Adjusted Annual Debt Service for all Obligations to be Outstanding after the issuance of such Refunding Subordinate Obligations shall not exceed the Aggregate Adjusted Annual Debt Service for all Obligations Outstanding immediately prior to the issuance of such Refunding Subordinate Obligations in each Test Year.

Without satisfying the requirements of the Indenture described above under this subheading "—Additional Subordinate Obligations," the County may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Reimbursement Obligations with respect to Subordinate Obligations.

All Subordinate Obligations shall be junior in payment and priority to all Senior Obligations. Subordinate Obligations shall be paid in the priority provided in the Indenture, and only to the extent that funds are available to make such payments as provided therein after the required payments are made with respect to the Senior Obligations. Any exercise of rights or remedies by any holder, owner, or beneficial owner of a Subordinate Obligation, or the Trustee on behalf of the foregoing, shall be subject in all respects to the limitations with respect thereto set forth in the Indenture. All Subordinate Obligations shall be subject to the limitations imposed on Subordinate Obligations, by the terms of the Indenture and any applicable Issuing Instrument.

For purposes of complying with any of the tests relating to the issuance of Additional Subordinate Obligations described above, (1) any calculation of Aggregate Adjusted Annual Debt Service with respect to specified Obligations for any period of time shall be reduced by the amount of any Subsidy that the County expects to receive during such period of time relating to or in connection with such Obligations and (2) any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received or expected to be received by the County with respect to or in connection with the specified Obligations during such period of time.

As described above under "—Released Revenues," upon compliance with the terms of the Indenture, the County may cause a category of income, receipts or other revenues then included in the definition of "Revenues" to be excluded from such definition for all purposes of the Indenture. The Indenture provides that Debt Service paid from any money other than Revenues (including Released Revenues), or to be paid from any money other than Revenues (including Released Revenues) deposited with the Trustee or another Fiduciary exclusively for such purpose, is excluded from the calculation of Aggregate Adjusted Annual Debt Service under the Indenture and thus, Debt Service paid from any money other than Revenues (including Released Revenues) or to be paid from any money other than Revenues (including Released Revenues) deposited with the Trustee or another Fiduciary exclusively for such purpose, is not taken into account with respect to the tests contained in the Indenture and described under this subheading "—Additional Subordinate Obligations." See also "—Rate Covenant" below.

The Indenture also permits the County, upon the terms described below under "—Rate Covenant," to specify that certain Obligations will be payable from and secured by Available Revenues. Under the Indenture, if Available Revenues or moneys other than Revenues have been irrevocably committed pursuant to a Supplemental Indenture or Issuing Instrument for the purpose of paying Debt Service on specified Obligations, then the Debt Service to be paid from such amounts is excluded from the calculation of Aggregate Adjusted Annual Debt Service under the Indenture and thus such Debt Service is not taken into account with respect to the tests contained in the Indenture and described under this subheading "—Additional Subordinate Obligations."

In addition, as described above under "—Pledge of Trust Estate; Net Revenues," the Indenture permits the County to transfer amounts from the Capital Improvement Fund to the Revenue Fund in which case, the amounts so transferred will be deemed to be Revenues for the purposes of all tests under the Indenture, including the tests described above under this subheading "—Additional Subordinate Obligations." Such actual transfers of amounts in the Capital Improvement Fund to the Revenue Fund are not subject to the limitations on "Transfers" described below under "—Rate Covenant."

Existing Subordinate Obligations

As of July 15, 2020, the Series 2016 Subordinate Bonds (which are currently outstanding in the aggregate principal amount of $92,790,000) and the Series 2018 Subordinate Bonds (which are currently outstanding in the aggregate principal amount of $127,305,000) constitute the outstanding Subordinate Obligations pursuant to the Indenture.

Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations

Under the Indenture, the County may, at any time and from time to time, issue Junior Subordinate Obligations, Junior Obligations or Special Facility Obligations upon compliance with the terms of the Indenture. See APPENDIX C– "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE – Authorization and Issuance of Bonds and Obligations – Conditions to Issuance of Junior Subordinate Obligations" and "—Special Facilities and Special Facility Obligations."

The Indenture permits the County to issue obligations payable from and secured by the Net Revenues and amounts in the Revenue Fund if such obligations are subordinate in payment and priority to the Junior Subordinate Obligations, the Subordinate Obligations and the Senior Obligations (such obligations constituting "Junior Obligations" pursuant to the Indenture). See APPENDIX C – "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE – Covenants and Obligations of the County – Creation of Prior Liens."

The County has previously issued its Variable Rate Demand Special Facilities Airport Revenue Bonds, Series 1998 (The Cessna Aircraft Company Project) (the "Cessna Special Facilities Bonds"). The Cessna Special Facilities Bonds are secured by contractual payments payable to the County by the owner of the financed facility, and are not secured by or payable from Revenues. The Cessna Special Facilities Bonds are a Special Facility Obligation under the Indenture.

Rate Covenant

Pursuant to the Indenture the County covenants to fulfill the following requirements:

(a) The County will, while any of the Obligations remain Outstanding, establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to 100% of the aggregate amount of transfers required to be made by the County pursuant to the provisions of the Indenture described herein in paragraphs (b) through (k) under the subheading "—Flow of Airport System Revenues" above during such Fiscal Year.

(b) (i) The County further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year plus any Transfer will be equal to at least 125% of Accrued Debt Service on all Outstanding Senior Obligations for such Fiscal Year. For purposes of the provisions of the Indenture described in this subparagraph (b)(i), the amount of any Transfer taken into account will not exceed 25% of the Accrued Debt Service on the Outstanding Senior Obligations for such Fiscal Year.

(ii) The County further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year plus any Transfer will be equal to at least 110% of Accrued Debt Service on all Outstanding Senior Obligations and Subordinate Obligations for such Fiscal Year. For purposes of the provisions of the Indenture described in this subparagraph (b)(ii), the amount of any Transfer taken into account shall not exceed 10% of the Accrued Debt Service on the Outstanding Senior Obligations and Subordinate Obligations for such Fiscal Year.

(iii) The County further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year will be equal to at least 100% of Accrued Debt Service on all Outstanding Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations for such Fiscal Year.

(iv) For purposes of complying with any of the requirements described in subparagraph (b), (1) any calculation of Accrued Debt Service with respect to specified Obligations for any period of time shall be reduced by the amount of any Subsidy that the County received during such period of time relating to or in connection with such Obligations and (2) any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received by the County with respect to or in connection with the specified Obligations during such period of time.

(c) The County covenants that if Net Revenues in any Fiscal Year are less than the amount specified by the provisions of the Indenture described in paragraph (a) above, or that if Net Revenues together with any Transfer in any Fiscal Year are less than the amount specified by the provisions of the Indenture described in paragraph (b) above, the County will retain and direct an Airport Consultant to make recommendations as to the revision of the County's business operations and its schedule of rates, tolls, fees, rentals and charges for the use of the Airport System and for services rendered by the County in connection with the Airport System. After receiving such recommendations, the County shall, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the Board that such recommendations, in whole or in part, are in the best interests of the County, take all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the County's business operations and schedule of rates, tolls, fees, rentals and charges as may be necessary to produce Net Revenues, together with any Transfer (only as applied pursuant to the provisions of the Indenture described in paragraph (b) above), in the amount specified in paragraph (a) or (b) above in the next Fiscal Year.

In the event that Net Revenues, together with any Transfer (only as applied pursuant to the provisions of the Indenture described in paragraph (b) above), for any Fiscal Year (referred to in this paragraph as "Fiscal Year One") are less than the amount specified by the provisions of the Indenture described in paragraph (a) or (b) above but, prior to or during the next succeeding Fiscal Year (referred to in this paragraph as "Fiscal Year Two"), the County has taken all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the County's business operations and schedule of rates, tolls, fees, rentals and charges as required by the provisions of the Indenture described in paragraph (c) above, such deficiency in Net Revenues for Fiscal Year One shall not constitute an Event of Default under the Indenture. Nevertheless, even if the measures required by the provisions of the Indenture described in paragraph (c) above to revise the schedule of rates, tolls, fees, rentals and charges have been taken by the County, in the event the Net Revenues in Fiscal Year Two (as evidenced by the audited financial statements of the County for such Fiscal Year), together with any Transfer (only as applied pursuant to the provisions of the Indenture described in paragraph (b) above), are less than the amount specified by the provisions of the Indenture described in paragraph (a) or (b) above, such deficiency in Net Revenues for Fiscal Year Two, as the second successive year of deficiencies in Net Revenues, shall, with the applicable notice, constitute an Event of Default under the Indenture.

As used in the Indenture, the term "Transfer" means with respect to a Fiscal Year (a) the amount in the Capital Improvement Fund on the last Business Day of such Fiscal Year plus (b) any amounts withdrawn from the Capital Improvement Fund during such Fiscal Year to pay Operating Expenses and to make any required payments or deposits to pay or secure the payment of Obligations less (c) any amounts credited to the Capital Improvement Fund from the Revenue Fund during such Fiscal Year.

As described above under "—Pledge of Trust Estate; Net Revenues," the Indenture permits the County to transfer amounts from the Capital Improvement Fund to the Revenue Fund in which case the amounts so transferred will be deemed to be Revenues for the purposes of all tests under the Indenture, including the tests described above under this subheading "—Rate Covenant." Such actual transfers of amounts in the Capital Improvement Fund to the Revenue Fund are not subject to the limitations on "Transfers" described above under this subheading "—Rate Covenant."

In addition, as described above under "—Released Revenues," upon compliance with the terms of the Indenture, the County may cause a category of income, receipts or other revenues then included in the definition of "Revenues" to be excluded from such definition for all purposes of the Indenture. The Indenture provides that Debt Service paid from Released Revenues (including investment earnings thereon), or to be paid from Released Revenues (including investment earnings thereon) deposited with the Trustee or another Fiduciary exclusively for such purpose, is excluded from the calculation of Accrued Debt Service under the Indenture and thus, Debt Service paid from Released Revenues (including investment earnings thereon), or to be paid from Released Revenues deposited with the Trustee or another Fiduciary exclusively for such purpose, is not taken into account with respect to the tests contained in the Indenture and described under this subheading "—Rate Covenant."

The Indenture also provides that at any time and from time to time, the County and the Trustee, without the consent of the Owner of any Obligation and without the consent of any Credit Provider, may enter into a Supplemental Indenture or Issuing Instrument that (1) specifies the amount of Passenger Facility Charges that shall constitute Available PFC Revenues, the amount of Customer Facility Charges that shall constitute Available CFC Revenues or the amount of Grant Funds that shall constitute Available Grant Revenues during each Fiscal Year specified in such Supplemental Indenture or Issuing Instrument or (2) specifies Obligations that will be secured by Available Revenues. Under the Indenture, Debt Service paid from Available Revenues (including investment earnings thereon), or to be paid from Available Revenues (including investment earnings thereon) deposited with the Trustee or another Fiduciary exclusively for such purpose, is excluded from the calculation of Accrued Debt Service under the Indenture and thus, Debt Service paid from Available Revenues (including investment earnings thereon), or to be paid from Available Revenues (including investment earnings thereon) deposited with the Trustee or another Fiduciary exclusively for such purpose, is not taken into account with respect to the tests contained in the Indenture and described above under this subheading "—Rate Covenant."

The Indenture also provides that Debt Service paid from any other moneys that are not Revenues (including investment earnings thereon), or to be paid from any other moneys that are not Revenues (including investment earnings thereon) deposited with the Trustee or another Fiduciary exclusively for such purpose, is excluded from the calculation of Accrued Debt Service under the Indenture and thus, Debt Service paid from any other moneys that are not Revenues (including investment earnings thereon), or to be paid from any other moneys that are not Revenues (including investment earnings thereon) deposited with the Trustee or another Fiduciary exclusively for such purpose, is not taken into account with respect to the tests contained in the Indenture and described above under this subheading "—Rate Covenant." Under the Indenture, Passenger Facility Charges, Customer Facility Charges, Grant Funds and certain other items are excluded from the definition of Revenues. Therefore, Debt Service paid from Passenger Facility Charges, Customer Facility Charges, Grant Funds, or other items excluded from the definition of Revenues, or to be paid from Passenger Facility Charges, Customer Facility Charges, Grant Funds, or other items excluded from the definition of Revenues and deposited with the Trustee or another Fiduciary exclusively for such purpose, is not taken into account with respect to the tests contained in the Indenture and described above under this subheading "—Rate Covenant."

The covenants of the County set forth in the Indenture and described in this caption are referred to herein as the "Rate Covenant."

Limitation on Remedies

The Indenture provides that, as long as any Senior Obligations remain Outstanding, no Event of Default shall exist or may be declared with respect to any Subordinate Obligations or Junior Subordinate Obligations. In addition, as long as any Subordinate Obligations remain Outstanding, no Event of Default shall exist or may be declared with respect to any Junior Subordinate Obligations.

The Indenture also provides that Subordinate Obligations are not subject to acceleration if any Senior Obligations are then Outstanding, and Junior Subordinate Obligations are not subject to acceleration if any Subordinate Obligations or Senior Obligations are then Outstanding.

For a description of the various remedies and limitations thereon set forth in the Indenture, see APPENDIX C– "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE – Events of Default; Remedies."

DEBT SERVICE SCHEDULE

The following table sets forth the Debt Service Schedule for the Series 2020 Senior Bonds, the Series 2016 Senior Bonds, the Series 2018 Senior Bonds, the Series 2016 Subordinate Bonds and the Series 2018 Subordinate Bonds. The Debt Service Schedule reflects the June 25, 2020 use of current resources of the Airport System for the defeasance of the 2021 and 2022 maturities of the Series 2010 Senior Bonds and Series 2018 Senior Bonds. On July 7, 2020, the Airport System was reimbursed by the CARES Airport Grant Program for the moneys used for this defeasance. See "COVID-19 PANDEMIC - Federal Relief Efforts."

	Series 2020 Senior Bonds		Series 2016 Senior Bonds and Series 2018 Senior Bonds		Total Senior Obligation Debt Service	Total Subordinate Obligation Debt Service	Total Debt Service
Year Ending July 1	**Principal**	**Interest**	**Principal**	**Interest**			
2021	$0	$3,192,415	$0	$23,800,750	$26,993,165	$16,709,750	$43,702,915
2022	0	3,695,400	0	23,800,750	27,496,150	16,709,500	44,205,650
2023	2,875,000	3,695,400	14,210,000	23,800,750	44,581,150	16,710,000	61,291,150
2024	3,010,000	3,551,650	14,915,000	23,090,250	44,566,900	16,705,500	61,272,400
2025	3,155,000	3,401,150	17,285,000	22,344,500	46,185,650	17,050,500	63,236,150
2026	3,315,000	3,243,400	18,140,000	21,480,250	46,178,650	17,051,750	63,230,400
2027	3,485,000	3,077,650	18,150,000	20,573,250	45,285,900	17,429,750	62,715,650
2028	3,660,000	2,903,400	19,055,000	19,665,750	45,284,150	17,434,750	62,718,900
2029	3,835,000	2,720,400	20,015,000	18,713,000	45,283,400	17,433,500	62,716,900
2030	4,030,000	2,528,650	21,010,000	17,712,250	45,280,900	17,430,250	62,711,150
2031	4,230,000	2,327,150	22,060,000	16,661,750	45,278,900	17,429,000	62,707,900
2032	4,445,000	2,115,650	23,155,000	15,558,750	45,274,400	17,428,500	62,702,900
2033	4,660,000	1,893,400	25,190,000	14,401,000	46,144,400	17,432,500	63,576,900
2034	4,890,000	1,660,400	26,455,000	13,141,500	46,146,900	17,429,500	63,576,400
2035	5,130,000	1,415,900	27,775,000	11,818,750	46,139,650	15,388,500	61,528,150
2036	5,360,000	1,159,400	29,165,000	10,430,000	46,114,400	17,755,000	63,869,400
2037	5,570,000	945,000	30,625,000	8,971,750	46,111,750	17,757,250	63,869,000
2038	5,785,000	722,200	32,150,000	7,440,500	46,097,700	17,746,250	63,843,950
2039	6,015,000	490,800	33,560,000	5,833,000	45,898,800	17,726,000	63,624,800
2040	6,255,000	250,200	40,535,000	4,155,000	51,195,200	17,705,250	68,900,450
2041	0	0	42,565,000	2,128,250	44,693,250	17,687,250	62,380,500
Total	**$79,705,000**	**$44,989,615**	**$ 476,015,000**	**$ 325,521,750**	**$926,231,365**	**$ 362,150,250**	**$1,288,381,615**

THE AIRPORT SYSTEM

Introduction

The Airport System consists of International Airport, Mather Airport, Executive Airport, and Franklin Field. International Airport is owned by the County and operated by the Department of Airports (the "Department"). International Airport is classified as a medium air traffic hub by the Federal Aviation Administration (the "FAA"). In calendar year 2018, it was ranked 40^{th} in the United States in terms of total passengers according to Airports Council International of North America (ACI-NA). In the fiscal year ended June 30, 2019, International Airport served a total of approximately 12.6 million passengers, and for calendar year 2019 International Airport served 13.2 million passengers. Origin-destination traffic for calendar year 2019 accounted for approximately 95% of total passengers, with the remaining 5% being passengers connecting between flights.

During Fiscal Year 2019-20, the Airport System experienced the global COVID-19 pandemic as detailed herein. During Fiscal Year 2019-20, International Airport handled 9,905,443 passengers compared to 12,591,208 in Fiscal Year 2018-19, representing a 21.3% decrease.

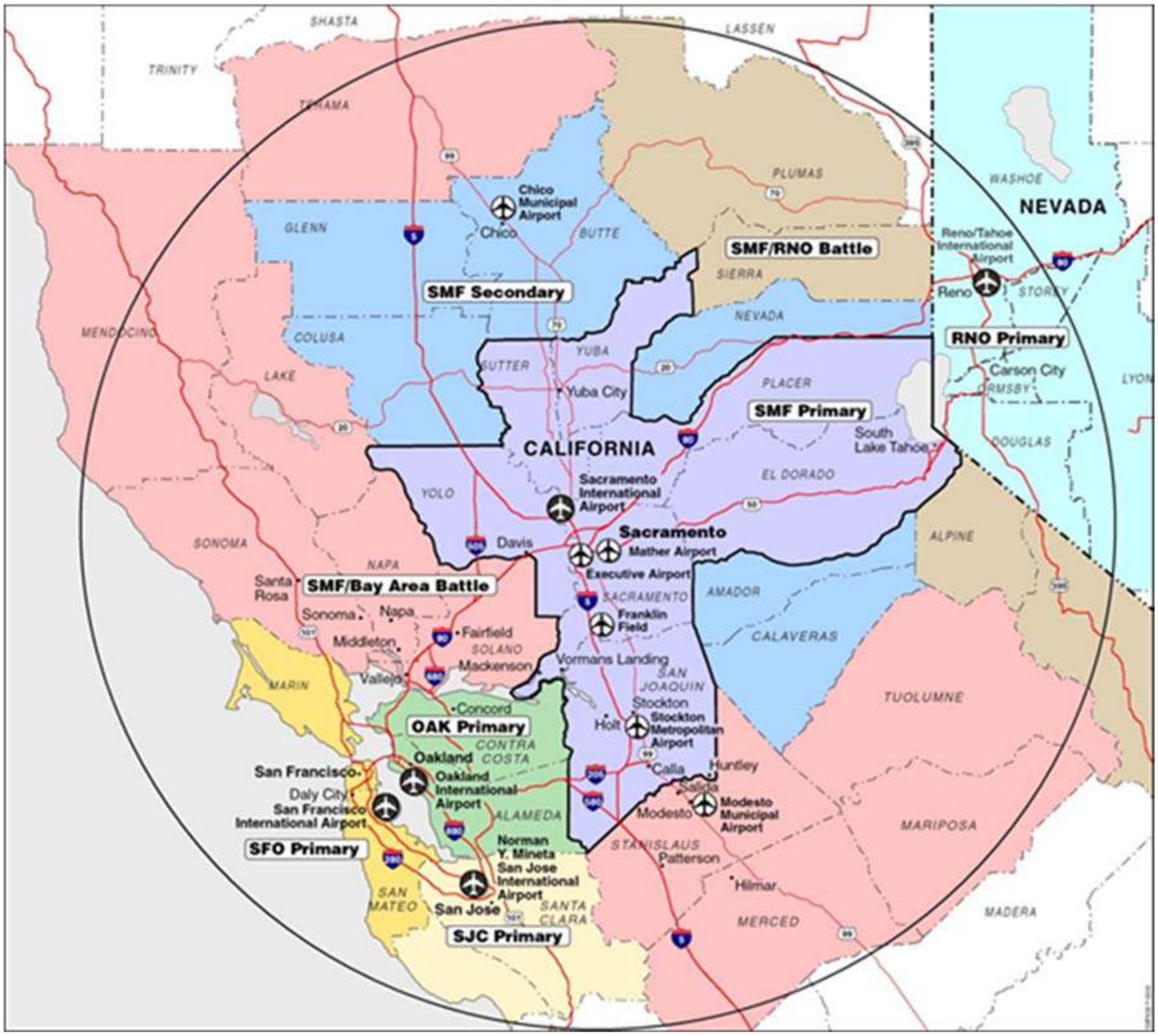
The Air Service Region

Sacramento is the capital of California and the hub of government and commerce within the Sacramento River Valley region between the San Francisco Bay Area to the west, and the Sierra Nevada mountain range to the east. International Airport is approximately 12 miles northwest of downtown Sacramento, adjacent to Interstate 5, which is the major north/south artery that runs the entire length of California, Oregon, and Washington. International Airport is also just two freeway exits on Interstate 5 from Interstate 80, the main east/west interstate highway connecting the San Francisco Bay Area with the Sacramento and Reno/Tahoe regions and points east.

The primary catchment area served by International Airport consists of the following seven counties: El Dorado, Placer, Sacramento, San Joaquin, Sutter, Yolo and Yuba. These seven counties represent three contiguous Metropolitan Statistical Areas ("MSAs"); the Sacramento-Arden-Arcade-Roseville MSA composed of El Dorado, Placer, Sacramento and Yolo counties; the Stockton-Lodi MSA composed of San Joaquin County; and the Yuba City MSA composed of Sutter and Yuba counties, and have a combined population in excess of 3.1 million. For nearly all residents of and visitors to the Sacramento Area, International Airport is relatively closer, both in terms of geographical distance and drive time, than competing airports in the Bay Area and the Reno/Tahoe area, especially considering traffic congestion to Bay Area airports and the mountain driving conditions to the Reno airport.

As depicted in Figure 1, a geographic area within approximately 150 miles to the north of International Airport and 100 miles to the south provides the area used to define International Airport's passenger catchment area.

Figure 1
GEOGRAPHIC AREA
International Airport and Selected Commercial Service Airports



Source: Seabury APG, International Catchment Area Study, December 2012

Organization and Management of the Airport System

The County's Board of Supervisors (the "Board") oversees the operation of the Airport System. The County was incorporated in 1850 as one of the original 27 counties of the State of California. The County's largest city, Sacramento, is the seat of government for the State of California and also serves as the County seat. The County has a charter form of government. The Board of Supervisors is composed of five members elected to serve staggered four-year terms. A County Executive, appointed by the Board of Supervisors, manages the day-to-day business of the County. See Appendix A – "CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION CONCERNING SACRAMENTO COUNTY."

Department of Airports

Senior management is led by the Director of Airports (the "Director"), who has the authority to administer the affairs of the Department of Airports as the chief executive officer thereof. The Director reports to the County Executive and serves at the pleasure of the Board. As of June 30, 2020, there were approximately 346 full time persons employed by the Department of Airports, and 92 additional employees including 38 law enforcement personnel, 45 from Department of General Services ("DGS") and 9 from the Department of Technology ("DTech") were assigned to the Airport but work for other departments of the County.

The balance of the senior management team is comprised of a Deputy Director of Finance and Administration, a Deputy Director of Planning and Development and a Deputy Director of Operations and Maintenance. Brief biographies of the members of the senior management for the Airport System are set forth below:

Cindy Nichol. In her role as Director of Airports, Ms. Nichol is responsible for the management, operation and future development of the Sacramento County Department of Airports. Ms. Nichol joined the County in October of 2018, with a 34-year career in executive airport management, in both the private and public sectors. Prior to her arrival at the County, Ms. Nichol served as Chief Financial Officer for the Port of Portland, which included three airports, seaport terminals, an industrial park and a dredge. Prior to that, from 2008 to 2012, she was the Finance Director for San Francisco International Airport, and from 1996 to 2008 she was a Director of one of the largest airport financial management consulting firms in the country, leading its 60-person business and finance practice. Ms. Nichol holds a Bachelor of Arts from Carleton College, a Master in African Studies from the University of London, and a Master of Public Policy from Harvard University's Kennedy School of Government. She recently served as Chair of the World Economics Committee for Airports Council International.

Sylvia Ambrogio. Ms. Ambrogio was appointed Deputy Director, Finance and Administration in January 2016. In this position, Ms. Ambrogio is responsible for business and financial planning, budgeting, accounting and treasury functions, central warehouse, project portfolio management, airport information technology systems, air service development and airport real estate and commercial development. Ms. Ambrogio has over 27 years of experience in airport business and financial planning from both the airport management and consulting perspective. Before coming to the County Airport System, she was the Chief Financial Officer for the Bill and Hillary Clinton National Airport. Ms. Ambrogio has also held financial management positions at airports including DFW International Airport and Tucson International Airport, as well as consulting for one of the largest airport consulting firms in the country. She holds a Bachelor of Science degree in Economics and Finance and a Master of Science degree in Financial Services. Ms. Ambrogio is an accredited member in the American Association of Airport Executives and serves as Chair on the Finance Committee for Airports Council International-North America.

Sheri Thompson-Duarte. Ms. Thompson-Duarte is the Deputy Director, Operations and Maintenance. Ms. Thompson-Duarte has 20 years of experience in airport operations and maintenance at commercial service and general aviation airports, and over 20 years of aviation experience in the US Air Force. Ms. Thompson-Duarte is an accredited member in the American Association of Airport Executives. She holds a Master of Business Administration degree in Aviation from Embry-Riddle Aeronautical University. Ms. Thompson-Duarte oversees the operations, maintenance and facilities, public safety (Airport Fire), and safety management system for Sacramento International, Mather, Executive, and Franklin Field airports. The operations she oversees include landside and airside, security, communications center, lost and found, ground transportation and parking at the airports. In addition, Ms. Thompson-Duarte coordinates the on-airport services provided by Sacramento County's Sheriff's Department and Department of General Services.

T.J. Chen. Mr. Chen is the Deputy Director, Planning and Development. Mr. Chen has more than 25 years of airport development experience, starting as an airport engineer with the San Francisco Airports

District Office of the Federal Aviation Administration. Mr. Chen has held various project engineering and program management positions in the US and abroad. Mr. Chen received his Bachelor of Science and Master of Science degrees in Civil Engineering from San Jose State University and is a licensed civil engineer in the State of California. Mr. Chen is also a graduate of FAA's Program for Emerging Leaders and a Certified Member of American Association of Airport Executives. Mr. Chen oversees the planning, environment documentation and compliance, sustainability, noise, wildlife management, design and development functions for the Airport System.

Labor Relations

As of June 30, 2020, the County had 346 permanent full-time equivalent positions in connection with the Airport System, of which 7 do not belong to a collective bargaining unit. The County Code requires that the salaries and benefits of these unrepresented employees be reviewed annually. The majority of the employees in connection with the Airport System are represented by one of 10 collective bargaining organizations as set forth in the following table.

TABLE 1
Collective Bargaining Units
(as of June 30, 2020)

Bargaining Unit	Employees Represented
Local 39 – Operations & Maintenance	157
Administrative Professionals Association	46
Sacramento County Aircraft Rescue Firefighters Association	28
Sacramento County Management Association	31
United Public Employees, Local 1	32
General Supervisory	23
Association of Professional Engineers	11
Sacramento County Professional Accountants Association	5
Engineering Technician and Technical Inspection Association	2
Environmental Management Specialists of Sacramento County	4

Source: County of Sacramento, Department of Airports

Most agreements with the collective bargaining units will expire on June 30, 2021. International Airport has never been closed by a strike. In addition to the County employees directly related to the Airport System, employees from the County's Sheriff's Department, DGS and DTech are assigned to the Airport System. The Sheriff's Department has assigned 38 permanent employees to provide security check point response, traffic control and landside police response for the Airport System. The Department of General Services has assigned 45 permanent employees to maintain Airport System facilities. DTech supports the Airport System with 9 employees made up of 6 full-time and 3 contractors. The County's general fund is reimbursed from Airport System Revenues for these assigned personnel.

International Airport was opened in 1967 and is owned by the County and operated by the Department. The International Airport serves residents of, and visitors to, the State's Capitol and is located 12 miles northwest of downtown Sacramento, just off U.S. Interstate 5 in Sacramento County, California.

Existing Facilities

Following is a description of the existing International Airport facilities. International Airport occupies approximately 6,000 acres of land, which the County owns in fee simple subject only to certain liens or encumbrances which do not interfere with the orderly operation of International Airport.

Airfield. The airfield consists of two 8,600- foot-long parallel runways, Runway 17L-35R (the east runway) and Runway 17R-35L (the west runway), together with interconnecting taxiways and aircraft parking aprons. The west runway was initially constructed 60 years ago and was subsequently reconstructed in 2019 with concrete. The project included replacement of 8,600 feet of asphalt sections, improvements to airfield drainage systems, as well as replacement of all runway and taxiway light systems. The reconstructed runway surface is expected to meet and/or exceed the requirements of forecast air traffic for the next 20 years.

Due to a shift in the earth's magnetic field, the magnetic headings for both the east and west runways have shifted more than 3 feet, so re-designation of the runway magnetic headings was required by the FAA to ensure accurate instrument approach procedures. The re-designation of the runways at International Airport from 16R-34L and 16L-34R to 17R-35L and 17L-35R became effective on May 21, 2020 when the FAA's flight procedures publication was issued. All applicable runway signage and markings have been redesigned in order to facilitate the runway designation change.

Runway 17R-35L is equipped with a Category III Instrument Landing System (ILS), a ground-based precision instrument approach system which provides properly-equipped aircraft with visual and electronic navigational aids to help a pilot safely land with minimal outside visibility. Runway 17L-35R is equipped with a Special Authorization (SA) Category II ILS.

Passenger Terminals. International Airport has two terminals with a total of 31 gates. Terminal A, completed in 1998, provides 12 gates and serves operations by Air Canada, American, Delta and United. Terminal B, completed in 2011, provides 19 gates and serves operations by Aeroméxico, Alaska/Horizon, Boutique Air, Contour, Frontier, Hawaiian, JetBlue, Southwest, Spirit, Sun Country and Volaris. Approximately 120,955 square feet, or 21.5% of the 561,476 rentable space in the passenger terminals has been developed for concessions.

Automated People Mover. Access between Terminal B landside and airside is provided via an automated people mover system on an above grade guideway structure.

Parking. International Airport currently has five public parking facilities, accommodating both short- and long-term parking. The terminal parking garage, constructed in 2004 with six floors and approximately 5,225 parking spaces, is conveniently located between the two terminals and is accessed via sky-bridge or roadside walkways. The County also provides parking at International Airport in the Hourly B (618 parking spaces), Daily (3,045 parking spaces), East Economy (6,576 parking spaces) and West Economy (2,800) parking lots.

Rental Car Facility. An 848 space, full service rental car facility for all on-Airport rental car companies is located approximately one mile south of the terminal buildings. Passengers access both on-airport and off-airport rental car agencies from the Rental Car Facility by shuttle bus pickup and drop off service to passengers.

Aviation Support Facilities. Primary aviation support facilities include: equipment and parks maintenance facilities; a fuel farm located north of the terminal complex; FAA air traffic control facilities; aircraft rescue and firefighting; and airfield maintenance and support facilities located throughout the site.

Other Airports

Mather Airport. Mather Airport was originally a United States Air Force base. In March 1995, the County executed a 55-year lease with the U.S. Air Force authorizing the use of 2,875 acres of the former Air Force Base as a civilian airport. Mather Airport reopened to aviation uses on May 5, 1995 and is now operated as part of the Airport System, serving general aviation and cargo users. In November 2012, Mather Airport's ownership was transferred from the United States Air Force to the Department of Airports. Mather Airport is a reliever airport for International Airport. Mather Airport has two runways (Runway 4R-22L, at 11,300 feet, and Runway 4L-22R, at 6,040 feet), a contract air traffic control tower, an aircraft parking apron, and various cargo and other buildings. Recently, Runway 4R-22L was equipped with an SA CAT II ILS to improve safety, provide precision instrument approach capabilities, and enhance airfield availability during reduced visibility conditions. The FAA published system SA CAT II procedures on December 5, 2019 that allow SA CAT II approaches onto Runway 22L.

Mather Airport has regularly scheduled service by one all-cargo carrier – United Parcel Service (UPS). In Fiscal Year 2018-19, 99,339 general aviation, military and cargo operations were performed at Mather Airport. During the same time period approximately 40.3% of all cargo handled at the Airport System was handled at Mather Airport. Mather Airport offers cargo carriers a longer runway, while freeing up aircraft ramp space at International Airport to accommodate passenger airlines. The County does not intend Mather Airport to be used for scheduled passenger airline service.

Executive Airport. Executive Airport is a designated reliever airport for International Airport and has two runways (Runway 2/20, at 5,503 feet and Runway 12/20, at 3,837 feet), and a contract air traffic control tower. The airport also provides tie down and hangar facilities to accommodate 500 general aviation aircraft. In Fiscal Year 2018-19, 117,424 general aviation and military flight operations were performed at the airport. Executive Airport is leased by the County from the City of Sacramento. The term of the lease is 25 years. The lease contains an “evergreen” clause, whereby the 25-year term is automatically extended each year by an additional year (subject to the right of either party to avoid such extension).

Franklin Field. Franklin Field is a general aviation airport that has two runways (Runway 9/27, at 3,031 feet, and Runway 18/36, at 3,123 feet) and leases land to tenants for portable hangar facilities. As of July 1, 2019 Franklin Field accommodated 19 based general aviation aircraft.

Airport Security

Acts of terrorism or fear of such attacks, including elevated national threat warnings, wars or other military conflicts, may depress air travel, particularly on international routes, and cause declines in passengers and increases in costs. The attacks of September 11, 2001, and continuing terrorist threats, attacks and attempted attacks materially impacted and continue to impact air travel. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching of air to surface travel modes. However, based on historical trends, these impacts seem to be temporary and over time air travel growth continues to remain strong.

Increased security procedures introduced at airports since the attacks of September 11, 2001, and any other such measures that may be introduced in the future generate higher operating costs. The Aviation and Transportation Security Act mandated improved airport perimeter access security, enhanced security screening of passengers, baggage, cargo, mail, employees and vendors, enhanced training and qualifications of security screening personnel and enhanced background checks. The County has at times found it to be necessary or desirable to make significant expenses to comply with security-related requirements while seeking to reduce their impact on the Airport System’s customers, such as expenses for automated security screening of international passengers. The County cannot forecast what new security requirements may be imposed in the future, or their impact on their customers and business.

Cybersecurity

The County requires and has implemented secure processing and storage of sensitive information relating to the Airport’s customers, employees, business partners, and others. The County, like all organizations with an internet presence, is digitally attacked daily. In order to keep pace with the constantly changing attack vectors, the DTech has invested heavily in cybersecurity measures.

Because the County supports diverse secure traffic like personal credit card information, criminal justice information services, data protected by the Health Insurance Portability and Accountability Act, and welfare data, the County's network is subject to higher security standards, along with frequent testing, to verify compliance with elevated cybersecurity requirements.

The costs for preparing for and defending against security attacks are substantial. A significant security incident could expose the County to litigation, greater regulatory enforcement, carries the potential for damages, fines, sanctions, or other penalties

In response to these threats, the County continuously makes strategic moves to secure its environment. DTech has aligned with the National Institute of Science and Technology framework for its cybersecurity risk mitigation. In keeping with this framework, DTech is working to update and upgrade software; develop a system recovery plan; continuously search for network intrusions; and transition to multi-factor authentication.

The constantly changing nature of the threats means that the County may not be able to prevent all data security breaches or misuse of data. See "INVESTMENT CONSIDERATIONS – Cybersecurity."

COVID-19 PANDEMIC

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization on March 11, 2020. Since the Executive Proclamation by the President of the United States, on January 31, 2020, preventing entry into the United States by certain foreign nationals, there has been a focus on containing the disease by prohibiting nonessential travel and limiting person-to-person contact. Across the country, states and local governments, including the State of California and Sacramento County, had issued "stay at home" or "shelter in place" orders which severely restricted movement and limited businesses and activities to essential functions. Additionally, other countries have essentially closed their borders by restricting entry and exit to only essential travel, although such restrictions are fluid and subject to change.

The COVID-19 pandemic and resulting restrictions have severely disrupted, and continue to disrupt, the economies of the United States and other countries, leading to volatility in the securities market. Many of these markets have lost significant value and may continue to do so. Business failures, worker layoffs, and consumer and business bankruptcies are occurring and are expected to continue in the near future.

Airports in the United States have been acutely impacted by the broad-based economic shutdown resulting from efforts to stop the spread of COVID-19, including reductions in flights and declines in passenger volumes. The outbreak has adversely affected domestic and international travel and travel-related industries. Airlines are reporting unprecedented downturns in passenger volumes and have experienced reduced levels of passenger volumes, which in turn, has resulted in a considerable reduction in scheduled service.

Federal Relief Efforts

The United States government, the Federal Reserve Board and foreign governments have taken and are taking legislative and regulatory actions and implementing measures to mitigate the broad disruptive effects of the COVID-19 pandemic. The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), approved by the United States Congress and signed by the President on March 27, 2020, is one of the legislative actions to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports, as well as direct aid, loans and loan guarantees for passenger and cargo airlines. Additionally, on April 9, 2020, the Federal Reserve Board announced a $500 billion program to provide state and certain local governments with access to short-term debt funding with the Federal Reserve acting as the lender.

Provisions of the CARES Act, which provides $10 billion of grant assistance to airports, generally include the following: (1) $3.7 billion to be allocated among all U.S. commercial service airports based on number of enplanements in calendar year 2018, (2) $3.7 billion to be allocated among all U.S. commercial service airports based on formulas that consider fiscal year 2018 debt service relative to other airports, and cash-to-debt service ratios, (3) $2 billion to be apportioned in accordance with Airport Improvement Program ("AIP") entitlement formulas, subject to CARES Act formula revisions, (4) $500 million to increase the federal share to 100% for grants awarded in federal fiscal year 2020 under certain grant programs including the AIP, and (5) $100 million reserved for general aviation airports.

On April 14, 2020, the FAA announced that it had allocated approximately $49.8 million of grant assistance under the CARES Act to International Airport and approximately $119,000 to the County's three other airports, which are Mather Field, Executive Airport and Franklin Field. Except for those grants received under (4) above, the County can draw on all such funds on a reimbursement basis for any purpose for which airport revenues may be lawfully used in accordance with FAA rules and regulations. On June 25, 2020, the County submitted a request to the FAA for $34.5 million of CARES Act grant assistance (69.1% of the total amount available to the Airport System) to reimburse the County for the defeasance of the 2021 and 2022 maturities of the Series 2010 Senior Bonds and the Series 2018 Senior Bonds. The funds were received by the County on July 7, 2020. The defeasance will provide significant reductions to annual debt service payable in Fiscal Year 2020-21 and Fiscal Year 2021-22. These reductions are intended to lower costs to the Airlines and aide in their recovery efforts over the next few years.

The County is evaluating how to best utilize the remaining funds. The County will use the CARES Act funding to best improve its liquidity and strengthen its ability to withstand expected decreases in revenues during Fiscal Year 2021 and Fiscal Year 2022 that it anticipates as a result of the current ongoing effects of the COVID-19 pandemic. There is no assurance that the CARES Act funding will be sufficient to fully compensate the County for lost revenue at its airports as a result of the COVID-19 pandemic.

On March 13, 2020, the President declared the ongoing COVID-19 pandemic of sufficient severity to warrant an emergency declaration for purposes of obtaining disaster assistance through FEMA's Request for Public Assistance ("RPA"). The County submitted its application through the RPA process, which requires applications to be filed within 30 days of the date of the emergency designation, for an estimated amount of damages of $500,000 sustained through June 30, 2020. This estimated projected costs and hours based on data available to the County as of the date of its RPA submission. The County expects to provide updated damage estimates to FEMA.

Additionally, the County continues to evaluate and seek other available sources of State and federal aid as they become available. At this time, it is unclear whether legislative, regulatory and other governmental actions, including the CARES Act, will have the intended positive effects.

Liquidity and Financial Position

The County believes that the Airport System's financial position going into the COVID-19 was strong, providing the County with flexibility to navigate the decline in passenger traffic, which has affected both airline and non-airline revenue. The debt service coverage ratio for Fiscal Year 2019 was 2.24, which exceeded the 1.25 required under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 SENIOR BONDS – Rate Covenant." At June 30, 2019, unrestricted cash and investment balances for the Airport were $199.5 million (audited). As of March 31, 2020, unaudited unrestricted cash and investment balances for the Airport System were approximately $203.4 million.

Based on currently available data, the County estimates unrestricted cash and investment balances for the Airport System will be $138.5 million (estimated) at June 30, 2020, with 430 days on hand (unrestricted cash and investment balances divided by average, estimated daily operating expenses) after taking into account approximately $4.3 million in suspended payments described below under "*Temporary Tenant Relief*

Program" for Airport System tenants, as well as, approximately $34.5 million transferred to the Trustee on June 25, 2020 for the defeasance of the 2021 and 2022 maturities of the Series 2010 Senior Bonds and Series 2018 Senior Bonds. Cash on hand at June 30, 2020 does not include the FAA reimbursement for the defeasance by the CARES Airport Grant Program, which would then reflect approximately $173.0 million, which is equivalent to 538 days cash on hand. The $34.5 million in CARES Act reimbursement was received on July 7, 2020, and is reflected in Fiscal Year 2020-21.

The total enplaned passengers (passengers boarding flights) for Fiscal Year 2019-20 is 4.9 million, as compared to 6.3 million in Fiscal Year 2019, reflecting a decrease of 21.6%. Using the estimates described above, the County expects that the debt service coverage ratio for Fiscal Year 2019-20 with respect to Senior Obligations will be approximately 2.11, which will exceed the 1.25 required under the Indenture.

The County also collects PFCs and CFCs, which can only be used for authorized PFC and CFC uses. Based on unaudited, internally prepared amounts, all of which are subject to change, the County expects to end Fiscal Year 2019-20 with $38.1 million of PFC balances (after payment of the Airport's Subordinate Lien Bonds); and $6.2 million of CFC balances.

Reduced Airport Usage

International Airport, similar to most other airports around the nation, has experienced steep declines in passenger volumes as a result of the COVID-19 pandemic. For the period from March 10, 2020 through April 30, 2020, estimated declines were approximately 90-95% as compared to the same period in 2019. In May 2020, the County saw signs of recovery as passenger traffic increased 112.9% from April 2020 levels (on a seat capacity decline of 50.5% from April 2020 levels). For May 2020, International Airport handled nearly 148,000 total passengers, an 87.2% decline compared to May, 2019. For June 2020, International Airport estimates handling approximately 300,000 total passengers during the month, a 75% decline compared to June 2019.

Prior to the COVID-19 outbreak, for the nine-month period ending March 31, 2020, the number of enplaned passengers at International Airport was 4,682,112, as compared with 4,587,849 for the nine-month period ending March 31, 2019, which reflects an approximate increase of 2.1%. Total cargo tonnage (volume/short tons) for all airports in the Airport System was 164,540 for the nine-month period ended March 31,2020, as compared with 155,335 for the nine-month period ended March 31, 2019, which is an approximate increase of 5.9%. The total landed weight (1,000-pound units) was 6,442,892 for the nine-month period ended March 31, 2020, as compared with 6,132,195 for the nine-month period ended March 31, 2019, which is an approximate increase of 5.1%.

Since the COVID-19 outbreak, there have been corresponding declines in demand for airport concessions including terminal services, rental car transactions, parking and ground transportation services (including, but not limited to, those provided by taxis, executive cars and TNCs). The County estimates overall revenue declines of approximately 38.5% for the period of March 10, 2020 through June 30, 2020, which would result in an estimated decrease of approximately 10.4% in operating revenues for Fiscal Year 2019-20 compared to Fiscal Year 2018-19.

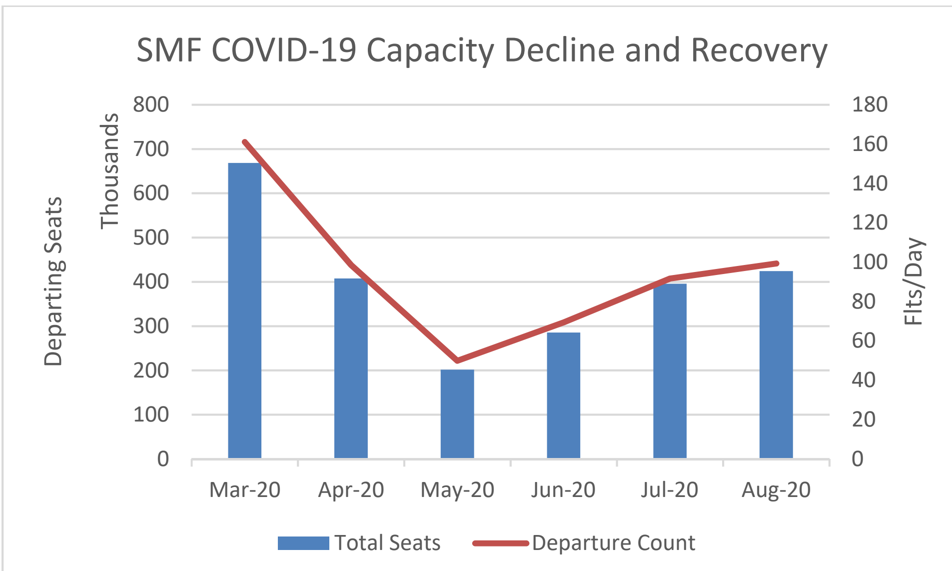
Reduced Air Service

Domestic air travel throughout the nation has been severely curtailed by the COVID-19 pandemic. Airlines at International Airport are continually evaluating their flight schedules, resulting in flight cancellations on a daily basis and ongoing revisions to flight schedules for spring and summer 2020. For example, due to the State of Hawaii's quarantine order effective March 26, 2020, airlines with service to the islands, including Southwest and Hawaiian has temporarily suspended air service between the islands and International Airport. Additionally, other states have issued similar quarantine orders, including Alaska, Florida, New York and Texas, which have resulted in additional flight cancellations. The County anticipates the reduced level of scheduled airline service to continue and cannot predict the duration. The County also cannot predict if there will be a nationwide order to restrict travel between states, which would lead to a cessation of operations at International Airport requiring significant cost-cutting measures.

Following the COVID-19 outbreak in mid-March 2020, passenger traffic fell precipitously through late March and early April. A number of airlines cancelled flights by mid-April 2020, and subsequently reduced capacity even further in May 2020 in an attempt to match seat capacity to passenger demand, and in consideration of social distancing. Air traffic began to rebound at the Airport in early May and has displayed continuing growth through late May and into June, 2020.

The following chart reflects total departing seat capacity and average daily departures by month for the period March through August 2020, based on airline flight schedules. Flight schedules for July and August are subject to change as airlines continue to make capacity adjustments.

TOTAL DEPARTING SEATS AND AVERAGE DAILY DEPARTURES FOR MARCH THROUGH AUGUST 2020 (as of July 20, 2020)



Source: Airline Data Inc.

Additionally, due to the travel restrictions in place at the United States-Canada and Mexico borders, several airlines operating at International Airport had notified the County that they were temporarily suspending international air service. Air Canada, Aero Mexico and Volaris temporarily suspended all air service at the Airport. Volaris resumed nonstop service to Guadalajara (GDL) in June, and Aeromexico resumed International Airport -GDL service in early July 2020. It is anticipated that Air Canada will resume nonstop service to Vancouver, BC in fall 2020.

Flight operations during the remainder of calendar year 2020 and beyond will depend in significant part on developments relating to the COVID-19 pandemic. There can be no assurances that negative developments relating to the COVID-19 pandemic will not result in declines in capacity, departures, or passenger activity at International Airport and result in further material adverse declined in revenues.

Temporary Tenant Relief Program

In addition to reductions in both international and domestic air travel, the County has experienced significant reductions in operations at concessions at International Airport. On March 15, 2020, California's Governor, Gavin Newsom issued an Executive Order prohibiting bars, wineries, nightclubs, and brewpubs across the state to close. The following day, the Governor extended the order to include gyms, health clubs, movie theaters, and restaurants. The Executive Orders, intended to slow the spread of COVID-19, has negatively affected full-service dine-in restaurants in International Airport allowing only limited service to passengers and employees. Airport concessionaires have adjusted to provide only take-out service. Most concessionaires have closed operations at International Airport as a result of the COVID-19 pandemic.

The County has received and continues to receive requests for rent relief and other forms of financial accommodations from airlines, International Airport concessionaires, RACs operating at International Airport and others. In response to such requests, the County has implemented the Temporary Tenant Relief Program intended to provide economic relief to tenants that request relief, provided (1) eligible tenants apply for CARES Act grants and/or loans, which among other provisions include workforce retention requirements, and (2) tenants must be current on their rent and fee payments through March 31, 2020. Key elements of the Temporary Tenant Relief Program are as follows:

Temporary economic relief to Airlines:

- Deferral of terminal and airfield rents, fees and charges for the period of April through June, 2020.
- Deferred rates and charges will be recovered through the year-end settlement process following the year-end audit. See "AIRLINE AGREEMENT-Year-end Settlement"
- The remittance terms of PFCs to the County remain unchanged (however, PFC revenues during March through June 2020 declined sharply compared to the same period in 2019).

Temporary economic relief to nonairline tenants:

- Monthly minimum annual guarantee payments for April 2020 through June 2020 owed by concessionaires to the County would be suspended (not deferred). Monthly billing for such period is based on a percentage of the concessionaire's sales revenue.
- Rents and fees billed on (1) a fixed fee basis or (2) as a percentage of concessionaire sales revenue would be billed; however delinquency fees were suspended for such rents and fees for the period of April 1, 2020 through June 30, 2020.
- Rents and fees billed for the three months of April 1, 2020 through June 30, 2020 may be deferred until June 30, 2021, however, interest rates as specified in the FAA's Information for Airport Sponsors Considering COVID-19 Restrictions or Accommodations, dated March 28, 2020, will apply.
- The remittance terms of CFCs to the County remain unchanged.

All agreements will be amended to reflect the above. See "OTHER BUSINESS AND OPERATING AGREEMENTS"

Operational Changes

In response to the COVID-19 pandemic, the County has proactively implemented a number of temporary measures intended to mitigate operational and financial impacts to the Airport System and their airport partners, including: a hiring freeze on all non-critical employees; eliminating non-critical travel; requiring remote working for employees that are not required for operations; and reducing other operational and maintenance spending. At International Airport, temporary operational measures have been implemented, including closing certain parking facilities and eliminating related bussing operations; implementing sanitation and social distancing procedures; adjusting customer and facility services to reflect lower passenger counts and modifying Terminal seating arrangements where possible to better facilitate the physical distancing recommended by health authorities. The County cannot predict whether these measures will be sufficient to mitigate the negative effects of the COVID-19 pandemic on the operations and financial condition of the Airport System. As a result of these efforts, the County expects the Airport System's Revised Fiscal Year 2020-21 Budget (expected to be adopted in September 2020, as described below) will include a 12% reduction to operating expenses. However, the County will continue to assess and implement opportunities to reduce operating costs and adjust operations to keep International Airport safe and efficient in response to the ongoing changes.

In February 2020, the Department submitted the pre-COVID Fiscal Year 2020-21 Capital Improvement Plan (CIP) for review and approval. This base submission included $94.9 million in Fiscal Year 2020-21 projects with a total 5-year outlook of $460.2 million. As a result of the COVID-19 pandemic, the County conducted a line-by-line review of the CIP to determine the critical projects that should be continued and developed a deferral plan for non-critical project work. Particular attention was placed on projects with associated grant opportunities to capitalize on external funding while taking steps to reduce project costs that impact the Airline rates and charges. The revised $355.7 million Fiscal Year 2020-21 5-Year CIP reflected a reduction of $104.4 million or 22.7% as a result of that effort.

Because the effects of the COVID-19 pandemic are expected to continue into Fiscal Year 2020-21, the County rolled-over the Fiscal Year 2019-20 budget for the period of July 1 through September 30, 2020 to provide sufficient time to analyze multiple financial and operational models and incorporate the measures described above. The County anticipates adoption of the Revised Fiscal Year 2020-21 budget by the Board in September 2020.

The County cannot predict (1) the duration or extent of the COVID-19 pandemic or another outbreak or pandemic; (2) the scope or duration of the current COVID-19 pandemic and any additional restrictions or warnings related to air travel, gatherings or any other activities, and the duration or extent to which airlines will reduce services at International Airport, or whether airlines will cease operations at International Airport or shut down in response to such restrictions or warnings; (3) what additional short or long-term effects the restrictions or warnings imposed as a result of the COVID-19 pandemic may have on air travel, including to and from International Airport, the retail and services provided by International Airport concessionaires, Airport System costs or revenues; (4) to what extent the COVID-19 pandemic or another outbreak or pandemic may disrupt the local, State, nation or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airport-related construction, the cost, sources of funds, schedule or implementation of the County's CIP, or other International Airport operations; (5) the extent to which the COVID-19 pandemic or another outbreak or pandemic, or the resultant disruption to the local, State, national or global economy, may result in changes in demand for air travel, or may have an impact on the airlines or concessionaires serving International Airport, or the airline and travel industry, generally; (6) whether or to what extent the County may provide additional deferrals, forbearances, adjustments or other changes to the County's arrangements with International Airport tenants and concessionaires; or (7) the duration and extent of the material adverse effect on the finances and operations of the Airport System expected to result from the foregoing.

Prospective investors should assume that the restrictions and limitations related to the COVID-19, and the current upheaval to the air travel industry and the national and global economies, will continue at least over the near term, recovery may be prolonged and, therefore, have an adverse impact on Airport System revenues. Future outbreaks, pandemics or events outside the County's control (including re-imposition of more stringent limitations on economic activity) may further reduce demand for travel, which in turn could cause a decrease in passenger activity at International Airport and declines in Airport System revenues.

See "AIRLINE AGREEMENTS," OTHER BUSINESS AND OPERATING AGREEMENTS," "CAPITAL PROJECTS AND PLANNING," "CERTAIN INVESTMENT CONSIDERATIONS – Uncertainties of the Airline Industry," and "—Worldwide Health Concerns."

AIRPORT ACTIVITY AND SCHEDULED AIRLINES

As of March 1, 2020, 15 scheduled passenger airlines, including five mainline airlines, two regional carriers, five low-cost carriers and three foreign flags, offered over 159 daily flights to more than 39 nonstop destinations at International Airport. In addition, the Airport System is served by four scheduled all-cargo airlines. International Airport continues principally to serve origin-destination passengers, with 31% of International Airport's total O&D traffic demand flying intra-California, and 69% to other parts of the US and international destinations. As of July 1, 2020, there were 12 scheduled passenger airlines, including six mainline airlines (one of which is a foreign flag carrier), one regional carrier, two low-cost carriers and three ultra low-cost carriers are offering over 92 daily flights to 26 nonstop destinations at International Airport.

The following table provides the air carriers serving the Airport System as of March 1, 2020. See "COVID-19 PANDEMIC" for information concerning the impact of the COVID-19 pandemic on airline activity as International Airport.

TABLE 2
Airlines Serving International Airport and Mather Airports
As of March 1, 2020

Mainline

Alaska Airlines*
American Airlines*
Delta Air Lines*
Hawaiian Airlines*
United Airlines*

Regional

Boutique Air
Contour Airlines[#]

Low cost carriers

Frontier Airlines
JetBlue Airways*
Southwest Airlines*[#]
Spirit Airlines*
Sun Country

Foreign Flag

Aeroméxico***
Air Canada*[#]
Volaris*

All-Cargo Carriers

ABX**
ATI**
FedEx*
UPS Air Cargo*

Source: County of Sacramento, Department of Airports
* Signatory Airline Status
** Operates For Amazon Prime
*** AeroMexico has filed Chapter 11, however is working through the bankruptcy courts to pay pre-petition balances due and is current with post-petition rents fees and charges.
Certain service by this carrier has been temporarily suspended as of July 1, 2020.

Airline Service

Activity at International Airport is primarily dependent upon the number of passengers using International Airport, the economic conditions of the airline industry which influences the airlines' willingness and ability to provide service, the available seating capacity of carriers which serve the market, the national and local economies which influence the willingness and ability of consumers to purchase air travel, and the cost of air travel.

After the economic recession that reduced enplaned passenger volumes at International Airport from Fiscal Year 2009-10 through Fiscal Year 2013-14, total enplaned passengers increased 5.8% in Fiscal Year 2014-15, as International Airport began to recover due to improved economic conditions and expanded air service by several airlines. In response to growing demand, Aeroméxico introduced nonstop service to Mexico City, Mexico in April 2015; Delta Air Lines started service to Seattle-Tacoma with flights operated by its affiliate SkyWest Airlines in May 2015; and in June 2015, JetBlue Airways commenced seasonal service to Boston.

In Fiscal Year 2015-16, total enplaned passengers increased 6.1% as Southwest Airlines launched nonstop service to Boise, Idaho in January 2016 and American Airlines reinstated nonstop service to Chicago/O'Hare in June 2016 after a 12-year absence.

In Fiscal Year 2016-17, total enplaned passengers increased 5.2%. Southwest Airlines launched daily nonstop service to Baltimore (BWI) beginning in August 2016 and added daily nonstop service to Salt Lake City (SLC) beginning in March 2017, providing competition to a route previously exclusively served by Delta. Alaska Airlines launched thrice-daily nonstop service to San Diego (SAN) in March 2017, providing competition to a former monopoly route for Southwest. United Airlines rounded out the fiscal year with a June 2017 launch of daily nonstop service to Newark (EWR), New Jersey, a route previously flown by Continental Airlines until September 2004. Alaska Airlines launched seasonal weekly nonstop service to Los Cabos in June 2017, a market previously served nonstop by Mexicana until August 2010. Finally, Delta Air Lines added a third daily nonstop flight to Atlanta beginning in June 2017, providing a balanced pattern of service throughout the day to/from that market.

In Fiscal Year 2017-18, total enplaned passengers at International Airport increased 10.8% and nonstop seat capacity rose 9.8% over Fiscal Year 2016-17. In Spring 2018, Southwest Airlines launched new nonstop service including weekly flights to Los Cabos (SJD) beginning March 2018, and New Orleans (MSY) beginning March 2018, and daily service to Austin (AUS) and St. Louis (STL), both beginning April 2018 and Orlando (MCO) beginning May 2018. Air Canada launched daily nonstop service to Vancouver, BC (YVR) beginning in May 2018 following a 10-year absence from the market.

In Fiscal Year 2018-19, total enplaned passengers at International Airport increased 9.3% and nonstop seat capacity at International Airport rose 9.5% over Fiscal Year 2017-18. In August 2018, Frontier Airlines re-launched the Sacramento market following a five year absence with nonstop service to Denver (DEN) and Las Vegas (LAS). In November 2018, Volaris launched twice-weekly nonstop service to Leon/Bajio (BJX), an important visit friends/relatives (VFR) market. In December 2018, Alaska Airlines launched thrice-weekly nonstop service to Kona on the Big Island of Hawaii. In April 2019, Hawaiian Airlines added a second daily nonstop flight with new service to Maui (OGG) and Contour Airlines launched new nonstop service to Santa Barbara (SBA), a market that had gone unserved since August 2010. Boutique Air launched essential air service (EAS) to Merced (MCE) in May 2019 and Sun Country launched ultra low-cost carrier (ULCC) seasonal service to Minneapolis-St. Paul (MSP). In June 2019, Delta Airlines began daily nonstop service to Detroit following a seven year absence and Spirit Airlines launched thrice-daily ULCC service to Las Vegas (LAS).

Prior to the COVID-19 pandemic, the first eight months of the current Fiscal Year 2019-20 reflected an 8.4% increase in nonstop seat capacity at International Airport compared to the prior Fiscal Year. The increase resulted from (1) Contour Airlines September, 2019 announcement to increase nonstop service to Santa Barbara to twice-daily and introduced daily nonstop service to Palm Springs (a market that had gone unserved for five years) while basing an aircraft and crew at International Airport, (2) Southwest Airlines launched much-anticipated daily nonstop service to Honolulu in November 2019, and (3) Southwest Airlines expanded nonstop service to Hawaii with a daily flight to Maui (March 2020) In June 2020, Air Canada had planned to add a second daily flight to Vancouver on a summer-seasonal basis, however, due to the pandemic, this planned service has been suspended. See "COVID-19 PANDEMIC."

Following the COVID-19 passenger traffic low point around April 20, 2020, airlines contracted scheduled flights/seats dramatically during May 2020. However, passenger traffic began to rebound in May, so in response, airlines have increased flights/seats during June and July to capture the increased passenger demand. International Airport averaged 69 flights per day during June 2020, and 95 flights per day in July 2020. Flights are projected to rise to 110 per day during August 2020, including resumption of nonstop service in key markets such as Honolulu, Maui and New York/Kennedy. International Airport nonstop seat capacity grew 42% from May to June 2020, and another 38% from June to July 2020. August 2020 International Airport seat capacity figures are expected to rise another 16% above July 2020 totals.

In May, 2020, the County prepared various scenarios relating to the recovery of passenger activity from the COVID-19 pandemic declines, and has assumed that Fiscal Year 2020-21 enplanements will be approximately 52.2% of Fiscal Year 2018-19 passenger enplanements. The County continues to monitor enplanements and other activity at International Airport.

TABLE 3
DAILY FLIGHTS
As of March 1, 2020

California	Other Domestic
Burbank 10 daily	Atlanta 3 daily
Long Beach 6 daily	Austin 1 daily#
Los Angeles 20 daily	Boise 2 daily#
Merced 1 daily	Baltimore 1 daily
Ontario 7 daily	Charlotte 1 daily
Palm Springs 1 daily#	Chicago/Midway 1 daily
San Diego 17 daily	Chicago/O'Hare 4 daily
San Francisco 5 daily	Dallas/Love 1 daily
Santa Ana 6 daily	Dallas/Ft. Worth 5 daily
Santa Barbara 2 daily#	Denver 10 daily
	Detroit 1 daily#
	Honolulu 2 daily#
	Houston/Bush 3 daily#
	Houston/Hobby 1 daily#
	Las Vegas 13 daily
	Maui 2 daily#
	Minneapolis/St Paul 2 daily
	New York/Kennedy 1 daily#
	Newark 1 daily#
	Phoenix 11 daily
	Portland 10 daily
	St. Louis 1 daily
	Salt Lake City 6 daily
	Seattle 17 daily
	Spokane 1 daily#
	Washington/Dulles 1 daily#

International
Guadalajara 2 daily
Leon/Bajio 2 weekly#
Los Cabos 3 weekly#
Vancouver 1 daily#

Source: County of Sacramento, Department of Airports
Service temporarily suspended as of July 1, 2020

The following table sets forth historical enplaned passengers for Fiscal Year 2009-10 through Fiscal Year 2019-20, classified into categories of domestic and international enplaned passengers. Following record enplaned passenger volumes of 6.3 million in Fiscal Year 2018-19, International Airport had 4.7 million enplaned passengers during the first nine months of Fiscal Year 2019-20 compared to 4.6 million over the same period in the prior year, an increase of 2.1%. The last quarter of Fiscal Year 2019-20 (April 1 through June 30) reflects the effects of the COVID-19 pandemic, during which time enplaned passenger numbers totaled 258,723, which reflected a 84.9% decline from the same period of the prior fiscal year. As shown in Table 4, there were a total of 4.9 million enplaned passengers for the full Fiscal Year 2019-20, a 21.6% decline compared to Fiscal Year 2018-19.

TABLE 4
Historical Enplaned Passengers
International Airport
Fiscal Years Ended June 30

Fiscal Year	Domestic	International	Total	Percent Change From Prior Year
2010	4,491,300	58,609	4,549,909	(3.3)
2011	4,462,616	17,125	4,479,741	(1.5)
2012	4,432,762	47,241	4,480,003	0.0
2013	4,373,066	46,479	4,419,545	(1.3)
2014	4,311,133	65,104	4,376,237	(1.0)
2015	4,546,641	81,956	4,628,597	5.8
2016	4,846,744	96,441	4,943,185	6.8
2017	5,079,011	119,173	5,198,184	5.2
2018	5,644,152	117,434	5,761,586	10.8
2019	6,144,753	153,694	6,298,447	9.3
2020	4,813,807	127,028	4,940,835	(21.6)

Source: County of Sacramento, Department of Airports

As shown in the following table, Fiscal Year 2009-10 through Fiscal Year 2013-14 registered a seat capacity decline due to the financial crisis and subsequent economic contraction in the Sacramento market. In Fiscal Year 2014-15, carriers serving International Airport began increasing the number of flights they offered and also “up-gauged” to larger aircraft on a number of flights. The average number of seats per flight increased from 127 to 136 seats between Fiscal Year 2009-10 and Fiscal Year 2018-19, marking a 7.6% increase in seat capacity per flight. As a result of COVID-19, airlines have significantly reduced flights in the last quarter of Fiscal Year 2019-20. See “COVID-19 PANDEMIC.”

TABLE 5
Available Departing Seats
International Airport
Fiscal Years Ended June 30

Fiscal Year	Domestic	International	Total	Percent Change From Prior Year
2010	6,027,898	78,460	6,106,358	(4.6)
2011	5,757,924	21,635	5,779,559	(5.4)
2012	5,666,878	59,259	5,726,137	(0.9)
2013	5,526,166	54,967	5,581,133	(2.5)
2014	5,504,138	79,636	5,583,774	0.0
2015	5,649,122	101,713	5,750,835	3.0
2016	5,897,398	116,121	6,013,519	4.6
2017	6,286,459	140,169	6,426,628	6.9
2018	6,924,341	140,430	7,064,771	9.9
2019	7,554,929	185,629	7,740,558	9.6
2020*	7,069,607	172,310	7,241,917	(6.4)

* Based on airline schedule through the end of Fiscal Year 2019-20 as published in Airline Data Inc. as of June, 2020.
Source: County of Sacramento, Department of Airports

The following table sets forth historical Aircraft Landed Weight for Fiscal Year 2009-10 through Fiscal Year 2019-20 classified into categories of passenger airlines and all-cargo airlines. Although impacted by the economic recession between Fiscal Years 2009-10 through 2013-14, total aircraft landed weight at International and Mather Airports increased from approximately 6,535 thousand-pound units in Fiscal Year 2009-2010 to 7,364 thousand-pound units in Fiscal Year 2019-2020.

TABLE 6
Historical Aircraft Landed Weight
International Airport and Mather Airports
Fiscal Years Ended June 30
(In thousand-pound units)

Fiscal Year	Passenger Airlines	All-Cargo Airlines	Total	Percent Change from Prior Year
2010	5,925	610	6,535	(4.9)
2011	5,363	581	5,944	(9.0)
2012	5,293	614	5,907	(0.6)
2013	5,134	646	5,780	(2.1)
2014	5,047	644	5,691	(1.5)
2015	5,135	654	5,789	1.7
2016	5,399	687	6,086	5.1
2017	5,755	727	6,482	6.5
2018	6,413	1,041	7,454	15.0
2019	6,933	1,276	8,209	10.1
2020	6,087	1,277	7,364	(10.3)

Notes: Includes UPS Cargo operating at Mather Airport.
Excludes general aviation and training activity.
Source: County of Sacramento, Department of Airports

The following table shows airline market shares of enplaned passengers at International Airport for Fiscal Years 2016-17 through 2018-19.

TABLE 7
Airline Market Shares of Enplaned Passengers
International Airport
Fiscal Years 2016-17 through 2018-19

Major Airlines	Fiscal Year 2016-17 Percentage of total	Fiscal Year 2017-18 Percentage of total	Fiscal Year 2018-19 Percentage of total
Southwest Airlines	51.5%	53.2%	53.3%
American Airlines	13.0	12.0	10.7
Delta Air Lines	10.6	10.6	10.2
United Airlines	9.9	9.9	10.7
Alaska Airlines[(1)]	8.1	8.1	6.1
JetBlue Airways	2.9	2.8	2.4
Hawaiian Airlines	1.7	1.5	1.5
Aeroméxico	1.3	1.0	0.9
Volaris	1.0	0.9	4.2
TOTAL	100%	100.%	100%

[(1)] Includes Horizon Air.

Source: County of Sacramento, Department of Airports

Boeing 737 Max Aircraft Grounding

On March 13, 2019, the FAA ordered the grounding of the Boeing 737 MAX aircraft following the crashes of two commercial jetliners. It is unclear when the FAA will deem the 737 MAX airworthy to fly again, though current estimates suggest a late summer 2020 return to service. Southwest Airlines has the largest fleet of grounded 737 MAX aircraft in the world, As a result of the grounding, over 370 flights per day have been cancelled, representing nearly ten percent of Southwest's total daily flight schedule for summer 2020. Southwest currently has 61 MAX aircraft sitting idle in storage with another 51 earmarked for delivery to Southwest during 2020. Southwest has cancelled five weekday flights from the carrier's planned peak summer 2020 schedule at International Airport, representing five percent of the airline's total flights at International Airport. The County does not expect the grounding of the 737 MAX aircraft to have a material adverse effect on the finances or operations of the Airport System.

AIRPORT COST CENTERS

The County maintains a cost-center structure for the Airport System whereas 13 of the cost centers ("Cost Centers") are direct, revenue-producing cost centers, and two are indirect cost centers allocated to the direct cost centers. Expenditures and Revenues of the Airport System are categorized into Cost Centers based on functional activities of the Airport System and are used for the purposes of accounting for Revenues, Operating Expenses and Debt Service. Rates and charges for the Signatory Airlines are based primarily on formulas using the Airfield and Terminal Cost Centers that are established to recover the costs of developing, operating and maintaining the necessary and required facilities in each respective Cost Center.

Airline Cost Centers		**Airport Cost Centers**
Airfield	**Terminal**	Parking
Runways/Taxiways	Terminal Buildings	Rental Cars
Aprons	Loading Bridges	Ground Transportation
Reliever Airports (MHR,SAC)	Airline Systems & Equipment	Cargo Facilities
		Other Buildings & Areas
		Franklin Field
		Parking
		Rental Cars
		Ground Transportation

Indirect Cost Centers
Roadways
Administration

Effective July 1, 2017, the County and Signatory Airlines negotiated a new Scheduled Airline Operating Agreement and Terminal Building Lease (the "Airline Agreement") that is in effect for five years through June 30, 2022 with an automatic five-year extension to June 30, 2027, unless by September 30, 2021 either (i) 75% of Signatory Airlines, including affiliates as measured by passenger enplanements, give notification to terminate, or (ii) the Director notifies the airlines that the Airline Agreement will terminate.

The following airlines, representing 98.2% of the enplaned passengers at the Airport for the Fiscal Year ended June 30, 2019, are parties to the amended Airline Agreement: Alaska Airlines, American Airlines, Delta Air Lines, Hawaiian Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, United Airlines, Air Canada and Volaris. In addition, all-cargo airlines, Federal Express and United Parcel Service have executed the Airline Agreement, as amended.

Under the Airline Agreement, Signatory Airlines pay rental fees and charges according to a hybrid rate setting methodology for the Airline Cost Centers:

Airfield Cost Center. Landing fees are calculated based on a residual rate-setting methodology whereas the Signatory Airlines are obligated to discharge all claims, obligations and indebtedness payable in connection with the Airfield Cost Center.

Terminal Cost Center. Terminal rental rates are calculated based on a compensatory rate-setting methodology. Under the compensatory method, the County sets Signatory Airline rates and charges based on the percentage of costs corresponding to the Airlines' use of facilities, without consideration for the amount of nonairline revenues. Excess revenues in this cost center is retained by the Airport System.

Key provisions of the Airline Agreement include:

One Time Release of Space. Throughout the term of the Airline Agreement, Signatory Airlines may lease space as needed, however are required to maintain their leasehold commitments pending a single timeframe reflected as January 2022 to April 2022, whereas such leaseholds can be adjusted for the term of the extended Airline Agreement.

Rolling Debt Service Coverage. Also called "funded coverage," this provision is for the prior year's coverage to offset the current year's debt service coverage requirement for Airline Cost Centers.

Majority In Interest. Capital Expenditures relating to new development, planning and expansion projects in the Airline Cost Centers with a net project cost in excess of $10 million are the only expenditures requiring a Majority in Interest of Airlines ("MII") review under the Airline Agreement. The County notifies Signatory Airlines in writing of its intent to undertake Capital Expenditures in excess of $10 million. In return, Signatory Airlines submit any written objections; if an MII of airlines oppose a project, then the County must defer the project for a period of up to two years. With respect to issues pertaining to the Airline Cost Centers, MII is defined as (1) at least 75% of those Signatory Airlines (including Affiliates) who together had at least 75% of the Signatory Airlines' total Maximum Gross Landing Weight, or (2) 75% of the Signatory Airlines' (including Affiliates) Enplaned Passengers, during the immediately preceding Fiscal Year.

Airlines choosing not to execute the Airline Agreement are assigned space on a month-to-month basis and pay rentals and fees in accordance with the Sacramento County Code. Such non-signatory airlines pay a twenty percent (20%) premium on rentals and fees paid by Signatory Airlines, and have no right to vote on capital projects.

Revenue Sharing. In the determination of annual Revenue Sharing, the County will share with Signatory Airlines 40% of Net Remaining Revenues (equal to Total Revenues less O&M Expenditures, O&M Requirement, and Debt Service). Availability of Revenue Sharing is based on the County's ability to satisfy its obligations and meet all requirements of the Indenture in each Fiscal Year. Revenue Sharing is allocated to Signatory Airlines based on a proportionate share of Enplaned Passengers, and promptly paid to the Airline at the time of Year-end Settlement.

Extraordinary Coverage Protection. In exchange for the Revenue Sharing provision, the Airline Agreement also provides for the Signatory Airlines to make payments in the rates for rentals, fees and charges which provide sufficient Net Revenues in each Fiscal Year to comply with the minimum rate covenant required by the Indenture (the "Extraordinary Coverage Protection"). If Extraordinary Coverage Protection payments are made, the County is required to refund such payments to the Signatory Airlines as soon as uncommitted funds become available.

Year-end Settlement. Rates and charges are calculated annually based on the Airport System's approved operating budget and reviewed and adjusted, if necessary, throughout each Fiscal Year to ensure that sufficient revenues are generated to satisfy all requirements of the Indenture. At the end of each Fiscal Year, the County recalculates rates and charges based on audited financial data and upon determination of any difference(s) between the amount paid by Signatory Airlines during the preceding Fiscal Year and the recalculated rents, fees and charges due, County shall (1) refund any overpayment, or (2) invoice any shortage between the Airline Cost Center requirements and amounts paid by Signatory Airlines.

Airline Cost per Enplaned Passenger

The cost to the passenger airlines operating at International Airport (i.e., amounts airlines pay the airport in the form of landing fees, terminal rents and other use charges) is divided by the number of enplaned passengers to compute costs per enplaned passenger or "CPE." As presented in the following table, CPE increased when debt service costs related to the construction of the new Terminal B and associated improvements were added to the airline rate base beginning Fiscal Year 2011-12. CPE has been reduced over recent years due to deliberate cost reductions, increasing numbers of airline passengers, and revenue-sharing. International Airport's historical CPE is reflected in the following table. Assuming no revenue sharing, Fiscal Year 2019-20 CPE prior to year-end settlement is estimated to be $17.03.

Table 8
Historical Airline Cost per Enplaned Passenger
International Airport

Fiscal Year	Passenger Airline Cost	Enplaned Passengers	Cost per Enplaned Passenger
2009-10	$53,206,488	4,549,909	$11.69
2010-11	44,100,849	4,479,741	9.84
2011-12	65,245,972	4,480,003	14.56
2012-13	77,846,510	4,419,545	17.61
2013-14	76,975,292	4,376,237	17.59
2014-15	71,739,449	4,628,597	15.50
2015-16	76,356,859	4,943,185	15.45
2016-17	79,888,868	5,198,184	15.37
2017-18	66,891,226	5,761,586	11.61
2018-19	67,326,763	6,298,570	10.69
2019-20	84,150,740	4,940,835	17.03

Source: County of Sacramento, Department of Airports

OTHER BUSINESS AND OPERATING AGREEMENTS

Following are descriptions of significant contracts with the Signatory Airlines and other Airport tenants and concessionaires.

Rental Car Concessions

On-Airport Rental Cars. On October 1, 2014, the County entered into On-Airport Rental Car Concession and Lease Agreements with Advantage Opco, LLC (Advantage and EZ Brands), Avis Budget Car Rental, LLC (Avis and Budget Brands), Enterprise Holdings, Inc. (Alamo, Enterprise and National Brands), and the Hertz Corporation (Dollar, Hertz and Thrifty Brands). These four Agreements provide for the nonexclusive right to operate a vehicle rental concession on International Airport for the ten brands of rental car companies. All rental car companies operate their counters and offices from a consolidated rental car building, to which rental car customers are transported from the terminal buildings by shuttle bus. Rental Car Companies pay the County the greater of (1) a minimum annual guarantee or (2) a percentage of gross sales. The Agreements expire in 2024.

Off-Airport Rental Cars. The County assesses fees and charges on off-Airport rental car businesses accessing International Airport, including an annual permit fee and privilege fees of 10% of annual gross receipts that exceed $150,000 per company.

Terminal Concessions and Leases

Food and Beverage Concessions. The County maintains Food and Beverage Concession Agreements with Host International, Inc., SSP America, Inc, Taste, Inc (dba Vino Volo), Famiglia-Debartolo, LLC, (dba Famous Famiglia) and MAG US Lounge Management, LLC (dba Escape Lounge) for the operation of food and beverage concessions inside the International Airport concourses and terminals. The Food and Beverage Concessionaires pay the County the greater of (1) a minimum annual guarantee or (2) a percentage of gross sales on the seven sit-down dining restaurants, nine quick-serve restaurants, and five coffee shops. The Terminal A Concession Agreements expire July 31, 2024. The County is in the process of advertising for Terminal B food and beverage concessions, where agreements are scheduled to expire in October 31, 2021.

Retail Concessions. On March 29, 2018, the County issued a Retail, Kiosk and Specialty Coffee Request for Proposals (RFP) for packaged concession locations in Terminals A and B at Sacramento International Airport. The Board approved two agreements on September 11, 2018, to the following: (1) Marshall Retail Group in Terminal A and (2) Paradies Lagardere @ SMF in Terminal B. Retail Concessionaires pay the greater of a minimum annual guarantee, beginning in Year 2, or a percentage of gross sales on the five convenience stores, six specialty retail and four retail kiosks. The term of each package contract is 7 years from the date the first concession location in each of the awarded packages opened for business.

Transportation Network Companies (TNCs). The County entered into contracts with Uber Technologies, Lyft, Inc., and Wingz, Inc as part of the approval of a cost-recovery based per-trip fee charge for pickups and drop-offs at International. Uber's agreement is effective 2/15/2019, the contract term is through 8/31/2020 and the agreement terms for Lyft and Wingz are 11/1/2017 through 10/31/2020. The agreements call for a tiered per-trip fee of $2.50 per pickup and/or dropoff.

Fixed Base Operations

International, Mather Field and Executive each are managed by a single fixed base operator ("FBO") which is owned by SACJet, International. There are 3 FBO agreements (one for each airport). SACJet operates out of existing facilities at Sacrament Executive Airport and developed the current facilities at International Airport. The International Airport facilities consist of 1 large aircraft hangar and adjoining offices. Most recently SACJet developed new FBO hangars at Mather Field consisting of 2 large aircraft hangars with 4 smaller corporate hangars.

Temporary Tenant Relief Program

On April 21, 2020, the Board of Supervisors approved the Temporary Tenant Relief Program which authorizes the Director to execute short-term retroactive amendments to agreements with airport tenants as a result of the COVID-19 pandemic. Applications for relief were due by April 30, 2020, and the County has received 32 applications from airlines, concessionaires and aviation support tenants. As the County staff prepares the amendments, they continue to work with concessionaires to reopen concessions at the Airport. See "COVID-19 PANDEMIC - Temporary Tenant Relief Program."

CAPITAL PROJECTS AND PLANNING

General

The County regularly renovates, improves and expands its facilities to improve passenger experience and meet the demands of the aviation industry. The following table reflects the County's post-COVID-19 Fiscal Year 2021-2025 Capital Improvement Program ("CIP") that has been reduced to remove projects that could safely be delayed. See "COVID-19 PANDEMIC – Operational Changes.".

The CIP is designed as a multi-year endeavor, with multiple phases and timing for each development which will be closely coordinated with the airlines and other stakeholders in order to maintain operational efficiency during construction. Funding for the CIP is expected to include federal grants, surplus revenue, Passenger Facility Charges and Customer Facility Charges. The major elements and funding sources of the five-year CIP are described below. As shown in the table, the County does not currently intend to enter into any additional Parity Obligations or Subordinate Obligations to finance capital improvement costs.

TABLE 9
Summary of Capital Improvement Program (Fiscal Years 2021-2025)
Sacramento County Airport System
(000's)

	CAPITAL IMPROVEMENT PROGRAM						SOURCE OF FUNDS	
International Airport	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**Total**	**FAA AIP**	**Airport Funds (including PFCs and CFCs)**
Pedestrian Walkway to Concourse B	200	0	0	0	0	200	0	200
Terminal A Modernization	13,700	7,732	0	0	0	21,432	0	21,432
ARFF Facility Replacement	16,000	360	0	0	0	16,360	12,500	3,860
Elkhorn Intermodal Link	1,000	12,000	12,000	0	0	25,000	0	25,000
Taxiway D, W, and Y Repair	7,500	0	0	0	0	7,500	0	7,500
Rehabilitation of Air Cargo Apron	1,000	10,820	0	0	0	11,820	3,000	8,820
Remain Overnight (RON) Apron	1,500	9,800	0	0	0	11,300	3,000	8,300
Economy Lot Expansion	1,000	0	19,000	0	0	20,000	0	20,000
Realign Taxiway A System	0	0	1,000	15,000	15,000	31,000	24,201	6,799
Other International Airport Projects	25,218	11,475	7,864	18,900	46,061	109,518	0	109,518
	$67,118	$52,187	$39,864	$33,900	$61,061	$254,130	$42,701	$211,429
OTHER AIRPORTS								
Executive Airport	882	1,240	8,310	13,400	1,650	25,482	14,310	11,172
Franklin Field	0	1,100	1,050	50	0	2,200	2,138	62
Mather Airport	4,439	2,130	30,220	18,100	18,890	73,779	51,372	22,407
	$5,321	$4,470	$39,580	$31,550	$20,540	$101,461	$67,820	$33,641
TOTAL CIP	**$72,439**	**$56,657**	**$79,444**	**$65,450**	**$81,601**	**$355,591**	**$110,521**	**$245,070**

Source: County of Sacramento, Department of Airports

Remain Overnight (RON) Apron. This is a multi-year project beginning with preliminary analysis and conceptual design to construct a new remain overnight aircraft parking apron to the east of Terminal A. When complete, this new apron will accommodate between 6-8 aircraft depending on design group.

Realign Taxiway A System. This project will reconfigure, remove, and adjust various taxiways along the West runway to optimize traffic flow and comply with FAA airfield geometry requirements. The majority of this project will be funded with AIP funds in Fiscal Year's 2024 and 2025.

Sacramento International Terminal A Modernization Program. The Terminal A modernization program includes (1) the replacement of existing jet bridges which have reached the end of their useful life, (2) expansion of the security checkpoint, and (3) upgrades to the terminal restrooms.

Sacramento International Aircraft Rescue and Fire Fighting (ARFF) Facility Replacement. The current ARFF facility is 50 years old and, as such, was not designed or constructed to accommodate the size and type of equipment used in modern aircraft rescue and firefighting. Additionally, the facility lacks sufficient storage, training, administrative and (living) accommodations. The $16.4 million planned facility is required to replace the outdated fire station with a modern, appropriately sized and equipped facility commensurate with the current and future operations at International Airport. The new facility will be sized to accommodate the additional equipment and staffing required to satisfy current requirements which would trigger the need for one additional piece of firefighting apparatus and corresponding additional staffing. This project will be partially funded with AIP funds.

Mather Airport Rehabilitation and Improvements. Mather Airport continues to be transformed from a former military base to a modern general aviation airport. The center section of the primary runway, Runway 4R/22L, will be rehabilitated. The secondary runway, Runway 4L/22R will be extended approximately 1,000 feet with a new surface overlay, and a new Category III Instrument Landing System (CAT III ILS) will lower the landing and departure minimums to further reduce the need for flight diversions and improve operational efficiency.

Funding Sources for Airport System Capital Projects

The County receives federal funding from the FAA, the TSA, and other federal agencies. The FAA provides reimbursement of eligible project costs through the Airport Improvement Program ("AIP"). The FAA grant eligible costs through Federal Fiscal Year 2024-25 are estimated at $110.5 million.

On May 18, 2020, the County submitted application for the Elkhorn Infrastructure Extension project through the U.S. Department of Transportation BUILD Discretionary Grant Program. The project falls in line with eligibility criteria for the increased federal funding for America's infrastructure. The planned International Airport project is located in a rural district.

Project costs are subject to audit by the funding agencies to ensure that the costs are allowable under the grant agreements. If any project costs are disallowed, amounts recorded as grants receivable will be reduced or refunded to the respective funding agencies.

The refunding of the Prior PFC Subordinate Bonds has resulted in significant reductions in debt service with respect to the PFC Subordinate Bonds. This has freed up PFC capacity to help fund future capital projects. Significant savings in debt service on Senior Bonds in recent years has contributed to the reduction in airline rates, fees and charges.

Passenger Facility Charges

PFCs are fees imposed on enplaned passengers by airport sponsors to generate revenues for airport projects that increase capacity, enhance competition among and between air carriers, enhance safety or security, or mitigate noise impacts. PFCs were established by Title 49 U.S.C. §40117, which authorized airport sponsors to collect PFCs in the amount of $1.00 to $3.00 per eligible enplaning originating and connecting passenger. The Aviation Investment and Reform Act (AIR-21) increased the maximum PFC airport sponsors could collect to $4.50 per enplaning passenger. In return for the right to assess PFCs up to $3.00, large- and medium-hub airports forego up to 50% of their AIP entitlement funds. Large- and medium-hub airports (such as International Airport) that collect a PFC of $4.50 forego (i.e. turn back) 75% of their AIP entitlement funds.

In January 1993, the County received approval from the FAA to impose a PFC of $3.00 per eligible enplaned passenger at International Airport, and has imposed the PFC since May 1, 1993. Since 1993, the County has submitted various applications and received approval to use PFC revenues to fund Airport System improvements, including approval to use PFC revenues to pay debt service on bonds issued to finance eligible improvements.

The County subsequently received approval to collect a $4.50 PFC, and began collecting at the $4.50 level on February 1, 2002. The County has utilized PFC revenues to pay for PFC-eligible projects directly, and to pay debt service on Subordinate Bonds used to fund PFC-eligible projects. The Projected Operating Results set forth herein assume that the PFC level will remain at $4.50 through Fiscal Year 2024-25.

The County is currently authorized to impose a $4.50 PFC and to use up to $953.3 million of PFC revenues for project and financing costs associated with the construction of various approved projects. The PFC collection dates for approved PFC applications are estimated to expire February, 2028. During Fiscal Year 2018-19, the County received $24.9 million in PFC receipts, bringing the total PFC receipts and interest received since January 1993 under the approved applications to $460.3 million. Since Fiscal Year 2009-10, PFC revenues have provided $183.6 million available for payment of debt service with respect to the 2008 Subordinate Bonds, the 2009 Subordinate Bonds, the 2016 Subordinate Bonds and the 2018 Subordinate Bonds.

Although PFC revenues are not pledged pursuant to the Indenture, the County believes that use of PFC revenues to pay debt service on the Series 2016 Subordinate Bonds and Series 2018DEF Subordinate Bonds, that were used to fund projects approved for PFC funding, is in compliance with applicable FAA regulations and does not require further FAA approval. In recent years, bond refundings have lowered the PFCs required to pay annual debt service. As a result, PFC collections, including interest have accumulated to an estimated $38.1 million at June 30, 2020.

The amount of PFC revenues received by the County in future years will vary based upon the actual number of PFC-eligible passenger enplanements at International Airport. No assurance can be given that any level of enplanements will be realized. Additionally, the FAA may terminate the County's ability to impose the PFC, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, or applicable law and regulations; or (b) the County otherwise violates applicable laws or regulations relating to PFCs.

Customer Facility Charges to Rental Car Customers

The ability of airport operators to levy customer facility charges ("CFCs") on rental car customers is governed by California Government Code Article 6 Section 50474. Revenues from CFC collections may only be used to pay (a) the reasonable cost of financing, designing and constructing rental car facilities such as a consolidated rental car ("ConRAC") facility and a quick turnaround ("QTA") fuel and wash facility, and (b) the cost of operating any common-use transportation system, or acquiring vehicles for use in that system that are not used for any other purpose.

California law allows an airport to collect the CFC using either of two approaches. The first approach allows for collection of a CFC in an amount not to exceed $10 per car rental contract. The second approach, referred to as an "alternative CFC", allows for collection on a "per-transaction-day" basis in the maximum amount of $9.00 over a maximum of five days per rental contract. Effective May 1, 2019, the County implemented a customer facility charge (CFC) of $10 per rental car transaction at International Airport while it began discussions with rental car companies about potential development of a ConRAC and QTA. The Department intends to move to a per-transaction day CFC once facility designs are further developed and the State's requirements for charging a per-transaction day CFC can be met.

As CFC revenues are excluded from the definition of Revenues under the Indenture, such revenues are not pledged to Revenue Bond obligations of the Department. The Department may choose to use CFC revenues on a pay-as-you go basis to pay the capital costs of future rental car facilities, it may issue stand-alone CFC-backed debt, or it may use CFC revenues to pay debt service on Subordinate Bonds as it currently does with PFC revenues.

Growth in rental car activity and revenues has continued at International Airport despite the emergence and increased use of transportation network companies ("TNCs") Uber, Lyft and Wingz, although the rate of growth in rental car activity and revenues may have been reduced from what it otherwise would have been. Rental car activity and revenues have continued to increase due to the large geographic size of International Airport's catchment area. Furthermore, International Airport is a gateway to northern California attractions such as Lake Tahoe and other Sierra Mountain resorts, Yosemite National Park and myriad wine country destinations including Napa and Sonoma valleys. The long distances many passengers travel to use International Airport make TNC costs less competitive than the cost of renting a car for all but trips of about 20 miles or so.

See "COVID-19 PANDEMIC."

Certain Federal and State Laws and Regulations

Operation of the Airport System is subject to various local, state, and federal regulations. The following is a discussion of certain regulatory requirements.

CEQA/NEPA. All Airport System development is subject to the requirements for environmental studies and appropriate clearances under the California Environmental Quality Act and, where federal funding or other federal actions such as approving amendments to the Airport Layout Plan are involved, to the requirements of the National Environmental Policy Act ("NEPA"). The FAA acts as the "lead agency" for NEPA review of airport development projects.

Airport Noise and Capacity Act of 1990. In 1990, Congress adopted the Airport Noise and Capacity Act of 1990 (ANCA), which provided among other things, for a phase-out of Stage 2 aircraft by December 31, 1999, which also limited the scope of an airport operator's regulatory discretion for adopting new aircraft operational restrictions for noise purposes. The FAA subsequently adopted regulations implementing ANCA under Part 161 of the Federal Aviation Regulations (Part 161). From 1990 forward, airport operators considering the adoption of restrictions or prohibitions on the operation of Stage 2 and Stage 3 aircraft are required to conduct studies which detail the economic costs and benefits of proposed restrictions, as well as publish proposed restrictions and provide notice to potentially affected airlines and conduct any necessary environmental analysis, prior to enacting restrictions on the operation of Stage 2 or Stage 3 aircraft. Proposed restrictions on the operation of Stage 3 aircraft adopted after 1990 also require affirmative approval of the FAA under defined statutory criteria before they may legally be implemented. ANCA and Part 161 make the adoption of many traditional aircraft operating restrictions by local airport proprietors on the operation of Stage 3 aircraft infeasible without the concurrence of the FAA, the air carriers or other operators affected by the restrictions. The County is in compliance with these regulations.

California Noise Standards. The Airport System operates pursuant to the California Noise Standards (CCR Title 21, Division 2.5., Subchapter 6). The California Noise Standards identify an exterior 65 decibel (dB) Community Noise Equivalent Level contour at an airport as the "Noise Impact Area." Within the Noise Impact Area, the airport operator is required to ensure that all land uses are compatible with the California Noise Standards, or the airport operator must secure variances from the California Department of Transportation, Division of Aeronautics, under the California Noise Standards until full compatibility is accomplished. None of the airports in the County's Airport System is designated as a noise problem airport.

Land Use Compatibility Measures. Since the late 1960s, the County has undertaken a series of land use compatibility measures to minimize the effects of aircraft noise on neighborhoods surrounding the airports in the Airport System, and to provide airport approach zones. These measures have included land acquisition, navigation easements, and use of planning and building code measures to increase compatibility with airport operations. As required by the FAA, a Wildlife Hazard Management Plan (WHMP) was adopted in 1992 for the purpose of describing Airport System practices and policies for reducing wildlife hazards on and near International Airport. The WHMP has been amended several times, most recently in March 2007.

Clean Water Act. Under the Federal Clean Water Act and Environmental Protection Agency regulations, the County is required to obtain a non-point source discharge permit. In 1992 the County filed a Notice of Intent, along with a Storm Water Pollution Prevention Plan, which covers all Airport System facilities, with the California Water Quality Control Board. Under the implementing regulations, the filing of the Notice of Intent brought the County under the Statewide General Industrial Activities Storm Water Discharge permit. An Annual Report, which is due to the State Water Quality Control Board on July 1 of each year, requires the County to update the Storm Water Pollution Prevention Plan. The County is currently in compliance with this requirement.

FINANCIAL AND RELATED INFORMATION

General

The Airport System generates its operating revenues primarily from airline terminal rentals and landing fees, concession revenues, and parking revenues. The County establishes terminal rental rates and landing fees in advance for each upcoming Fiscal Year based on the Department's estimated revenues and expenses as calculated under the Airline Agreement. Under the Airline Agreement, if there is an over-collection in any year (receipts from airlines exceed International Airport's net cost), then the County is obligated to refund excess collections to the airlines. Similarly, if there is an under-collection in any year, the airlines are invoiced for that amount and are obligated under the Airline Agreement to pay such deficiency. Settlement of over- or under-collection typically occurs in January or February following the close of a given fiscal year.

Revenues, Expenses and Changes in Net Position

The following table shows Revenues, Expenses and Changes in Net Position for Fiscal Year 2015-16 through Fiscal Year 2019-20. The financial information presented in the table below includes airline revenues established by rates set by Ordinance through Fiscal Year 2016-2017 and by the Airline Agreement thereafter. The Fiscal Year 2019-20 estimates are based on information as of July 23, 2020 and are likely to change as the County proceeds with the year-end close.

TABLE 10

Sacramento County Airport System
Statement of Revenues, Expenses and Changes in Net Position
Fiscal Years 2015-16 through 2019-20

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Estimated Fiscal Year 2019-20
Operating revenue:					
Concessions	$78,775,227	$82,409,252	$90,323,536	$99,038,728	$79,231,642
Building rents[1]	65,012,503	66,066,673	60,059,320	58,504,461	67,995,468
Airfield charges[1]	21,043,860	23,671,438	27,172,330	27,879,071	25,266,839
Ground leases	2,034,640	2,107,408	3,046,387	3,524,845	3,678,256
Sale of fuel	604,604	461,300	554,321	747,844	617,198
Airport services	1,000,679	949,129	498,253	380,200	420,944
Other[2]	72,246	84,267	6,391	(4,148,559)	(10,691,140)
Total operating revenue	$168,543,759	$175,749,467	$181,660,538	$185,926,590	$166,519,207
Operating expense:					
Salaries and benefits	$26,842,856	$30,372,684	$33,422,424	$34,463,798	$37,276,258
Services and supplies	58,110395	57,602,169	64,470,461	68,725,697	76,817,427
Cost of goods sold	431,554	361,608	499,671	680,942	558,780
Depreciation and amortization	50,565,547	52,011,580	52,013,372	52,647,894	52,842,238
Other	480,259	574,703	218,429	51,266	289,547
Total operating expense	$136,430,611	$140,922,744	$150,624,357	$156,569,597	$167,784,250
Net Operating income (loss)	$32,113,148	$34,826,723	$31,036,181	$29,356,993	$(1,265,043)
Nonoperating revenue (expense):					
Interest Income	$2,000,910	$1,915,111	$3,222,805	$8,479,767	$3,260,852
Passenger facility charges revenue	19,285,187	20,544,539	22,782,880	$25,587,275	$17,519,751
Customer facility charges revenue				1,269,420	5,476,991
Intergovernmental revenue[3]	867,632	404,582	1,695,305	595,695	34,883,322
Gain (loss) on disposal of assets	(29,493)	260,372	369,892	(212,510)	(893,134)
Other nonoperating revenue (expense)	299,019	149,481	139,045	153,682	1,427,166
Amortization of bond issuance cost	(405,146)	(388,175)	(313,653)	(25,902)	(25,902)
Interest expense	(56,140,352)	(53,042,527)	(49,551,243	(39,402,511)	(38,910,448)
Net nonoperating revenue (expense)	$(34,122,243)	$(30,156,617)	$(21,654,969)	$(3,555,084)	$27,738,598
Income (loss) before capital contributions and transfers	$(2,009,095)	$4,670,106	$9,381,212	$25,801,909	$21,473,555
Capital contributions	$11,368,943	$15,534,748	3,279,101	11,421,118	18,223,413
Transfers Out	(2,231,084)	(2,406,265)	(2,484,035)	(2,552,322)	(2,500,000)
CHANGES IN NET POSITION	7,128,764	$17,798,589	$10,176,278	$34,670,705	$37,196,968

(1) Includes airline settlement amounts from prior year.
(2) Fiscal Year 2018-19 and Fiscal Year 2019-20 includes Revenue Sharing from the prior year paid to Signatory Airlines.
(3) Fiscal Year 2019-20 includes $34.5 million reimbursement from CARES Act
Source: County of Sacramento, Department of Airports

Operating Revenues

As reflected in Table 10, and for purposes of financial reporting, the County categorizes revenue from concessions, building rents, airfield charges, ground leases, sale of fuel, airport services and other sources as Operating Revenues.

Audited Results for Fiscal Year 2018-2019. Operating Revenues for the twelve months ended June 30, 2019 compared to the prior year increased by $4.3 million or 2.3%. The increase, primarily due to increased revenues from concessions, airfield charges and ground leases, was offset by the Fiscal Year 2017-2018 Signatory Airline Settlement of $7.2 million, as well as the $4.2 million in revenue sharing of Fiscal Year 2017-2018 net revenues, paid to Signatory Airlines, in accordance with the new Airline Agreement.

Year-end Estimates for Fiscal Year 2019-2020. Operating Revenues for the twelve months ended June 30, 2020 compared to the prior year are estimated to have decreased by $19.4 million or 10.4%. The decrease reflects the impact of COVID-19, reduced concession revenues due to the Temporary Tenant Relief Program, and the $10.7 million revenue sharing payment to Signatory Airlines calculated for Fiscal Year 2018-19. The Fiscal Year 2019-20 Signatory Airline Settlement amount is yet to be determined.

The following table presents Operating Revenues by type of revenue, pursuant to County Ordinance through Fiscal Year 2016-17 and by the Airline Agreement thereafter, and distinguishes between Airline and Nonairline revenues. As described below, Airline Revenues are estimated to have constituted approximately 41.2% of total operating revenues in Fiscal Year 2019-20. Nonairline Revenues, which include parking, rental car, and terminal concessions revenues and other nonairline revenues are estimated to have constituted approximately 58.8% of operating revenues in Fiscal Year 2019-20. These revenues have been adjusted to include the Signatory Airline Settlement and revenue sharing in the current fiscal year. The Fiscal Year 2019-20 year-end settlement has not been calculated and is not reflected in this table.

TABLE 11

Sacramento County Airport System
Airline and Nonairline Revenues
Fiscal Years 2015-16 through 2019-20

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Estimate Fiscal Year 2019-20
Airline revenue[(1),(2)]:					
Terminal building rents and fees	$ 51,435,525	$ 52,839,550	$ 44,431,455	$ 52,452,234	$ 56,634,599
Aircraft parking fees	3,265,090	3,416,495	2,479,673	2,374,015	5,041,642
Loading bridge fees	3,387,186	2,922,392	1,673,891	1,580,825	1,665,123
Landing Fees	20,811,054	23,677,390	26,790,520	26,843,659	26,141,505
Airline revenue sharing	--		(4,163,064)	(10,660,522)	--
Total airline revenue	$ 78,898,855	$ 82,855,827	$ 71,212,475	$ 72,590,211	$ 89,482,869
Nonairline revenue:					
Parking	$ 55,438,637	$ 57,052,230	$ 61,446,320	$ 66,700,985	$ 51,388,236
Rental car[(3)]	14,369,035	15,418,746	17,302,220	18,828,696	16,149,122
Terminal concessions	7,998,079	8,640,132	8,813,410	9,595,050	8,588,045
Building and ground rents	7,969,072	7,959,728	10,357,552	11,057,398	9,803,982
Ground Transportation	954,025	1,295,261	2,364,656	3,491,081	2,790,960
Other[(4)]	2,916,056	2,527,543	2,226,792	1,209,599	38,798,088
Total nonairline revenue	$ 89,644,904	$ 92,893,640	$ 102,510,950	$ 110,882,809	$ 127,518,433
TOTAL	$168,543,759	$ 175,749,467	$ 173,723,425	$ 183,473,020	$ 217,001,303
Airline revenues	46.6%	47.0%	41.0%	39.6%	41.2%
Nonairline revenues	53.4%	53.0%	59.0%	60.4%	58.8%

(1) Airline rates established by Ordinance through Fiscal Year 2016-2017 and by the Airline Agreement thereafter.
(2) Airline revenue for Fiscal Years 2017-18 through 2019-20 have been adjusted to include the year-end settlement in the current fiscal year, whereas Airport Financial reports reflect settlement in the following fiscal year.
(3) Includes auto rental shuttle bus fees.
(4) Includes $34.5 million reimbursement from CARES Act funds.

Airline Revenues

Airline rents, fees and charges are developed using an airfield residual and terminal compensatory ratemaking methodology that requires airlines to pay only for the cost allocable to the portion of the Airport System they use (i.e. airfield, apron, loading bridges, and terminal building space). Forecasts of airline revenues are expected to be consistent with provisions of existing agreements, allowances for inflation, historical trends and airline activity projections.

Terminal building rents and fees are established on a cost recovery methodology that includes both operating costs and capital purchases for the terminal area. This compensatory rate structure allows the Airport System to charge the Airlines a pro-rata share of the terminal costs based on usable space.

Landing Fees. The costs of the airfield area, including all runways, taxiways, associated navigational and operational aids and other airside properties are recovered through the landing fees and fuel flowage fees collected at International Airport. Landing fees are charged to passenger and cargo carriers for commercial or chartered aircraft landings. The Fiscal Year 2017-18 landing fee rate of $3.71 per 1,000 pounds decreased as a result of lower airfield costs, coupled with a 15.0% rise in airline landed weights. In Fiscal Year 2018-19, the landing fee rate decreased to $3.51 per 1,000 pounds (5.4%) due to a decreased cost to the airfield, while landing fee revenues increased $8.0 million or 18.1% due to increased landed weights of 10.1% as airlines continued to expand service.

The new Airline Agreement provides for a year-end adjustment to airline rents, fees and charges to take into account actual costs, landed weight, and other factors used to calculate such rates. The variance between forecast and actual rates will result in either an invoice or a refund sent to the Signatory Airlines. Additionally, the Airline Agreement includes a revenue-sharing component for the Signatory Airlines, which is reflected in the Airlines Revenues for fiscal years 2017-2018 and 2018-2019.

Nonairline Revenues

Major sources of nonairline revenues include terminal building concessions, public automobile parking, rental car and other revenues as listed below. Forecasts of nonairline revenues are expected to increase consistent with provisions of existing agreements, allowances for inflation growth in passenger volumes and historical trends.

Terminal Building Concession Revenues. As described below, the primary sources of Terminal Building concession revenues are food and beverage concessions, merchandise concessions and other terminal building concessions. Terminal Building concession revenues for Fiscal Year 2018-19 increased $781,640, or 8.9% compared to the prior year.

Food and Beverage Concessions. Four food and beverage concessionaires provide food and beverage services in the terminal facilities, including in-terminal restaurants, quick serve locations, cocktail bars and travelers' lounges. The food and beverage concessionaires offer national, regional and local brands at multiple locations within both terminals. The food and beverage agreements provide for payment to the County of percentages of gross sales or a minimum annual guarantee, whichever is greater.

During Fiscal Year 2018-19, gross sales for food/beverage outlets were $43.6 million compared to $39.2 million in the prior year, resulting in a $606,967 or 11.8% increase in concession revenues for the Airport System.

Merchandise Revenues. The County has entered into agreements with five concessionaires to operate the retail concessions in the terminal buildings. The merchandise concessions program at International Airport includes a mix of retail merchandise outlets and national brand name concessionaires designed to increase passenger choices and spending. The retail concession agreements provide for the payment to the County of percentages of gross sales or a minimum annual guarantee, whichever is greater. The retail concession agreements expire in October 2021, November 2023, and July and August 2026.

During Fiscal Year 2018-19, gross sales from retail shops were approximately $19.5 million, providing $2.6 million in concession revenues to the Airport System. This compares to gross sales of $19.4 million, providing a $2.5 million concession revenues for Fiscal Year 2017-18.

Other Terminal Concession Revenues. Other terminal building concessions revenues of approximately $3.7 million during Fiscal Year 2018-19 include advertising, public telephone and vending machines.

Public Automobile Parking Revenues. Public automobile parking is the largest source of nonairline revenue for the Airport System, accounting for $60.2 million in Fiscal Year 2018-19, equal to approximately 35.9% of total operating revenues or approximately 60.2% of nonairline revenues.

LAZ Parking California, LLC (LAZ) currently operates the County-owned public parking facilities at International Airport under a parking management agreement executed in April 2016 that expires on March 31, 2021 unless the County exercises its option to extend the term for an additional 5-year period. Pursuant to the LAZ agreement, LAZ is responsible for maintaining and operating the existing facilities and collecting parking fees. LAZ remits all gross parking revenues to the County and is reimbursed for operating expenses and paid a management fee. The County is responsible for setting parking rates.

On May 23, 2017, the County approved a $1.00 increase to the maximum daily rate charged in the parking garage at International Airport from $17.00 to $18.00 per day. The rate adjustment reflected the increase in enplaned passengers and balanced the supply and demand among available parking facilities. The rate increase also offsets added costs associated with the improved parking and revenue control technology and other services provided at International Airport.

Rental Car Revenues. Under the rental car agreements, the County receives (1) the greater of privilege fees equal to 10% of gross receipts or a minimum annual guarantee, and (2) rentals for counter space, office space, and service facility ground areas. The County also receives certain cost-recovery fees for the rental car shuttle operation. Rental car revenues were approximately $14.2 million in Fiscal Year 2018-19, a $1.3 million or 9.9% increase compared to the prior year and a 36.7% increase over the past five years. Unlike CFC revenues, revenues from these various fees are included in the definition of Revenues under the Indenture, and are pledged to payment of Revenue Bond obligations of the Department.

Building and Ground Rents. The County collects rents for other on-airport buildings and land leased for aeronautical and aeronautical support facilities such as cargo, general aviation and aircraft maintenance facilities. Many of these rents are calculated at fair market value at the time of the lease and with annual increases based on increases in the Consumer Price Index ("CPI").

Ground Transportation. The County collects commercial ground transportation fees from the operators of taxicabs, limousines, shuttles and transportation network companies. In Fiscal Year 2018-19, such fees totaled approximately $3.5 million, equating to $0.55 per enplaned passenger, and are forecast to increase with inflation and enplaned passengers.

In recent years, TNC transactions by Uber, Lyft and Wingz have continued to increase at International Airport. In May, 2017, the County offset the slight loss in revenue from hourly parking customers by implementing a phased-in rate increase to the TNCs who effective July 1, 2017 pay $2.00 per pick-up and drop-off (up from $1.25), and $2.50 effective July 1, 2018. TNC transactions are tracked using geo-fencing technology.

Other Nonairline Revenues. Other nonairline revenues consist principally of building and ground rentals from hangars, cargo facilities and other leases that include increases based on either changes to the Consumer Price Index, periodical appraisals or a combination of these two approaches.

Federal Law Prohibiting Revenue Diversion

Federal law requires that all revenues generated by a public airport be expended for the capital or operating costs of the Airport System, which is operated by the Department of Airports and substantially related to the air transportation of passengers or property. In February 1999, the FAA adopted its "Policies and Procedures Concerning the Use of Airport Revenue" clarifying the application of these principles to airport sponsors that receive federal grants for airport development from the FAA, including the Airport System. The County is the sponsor for purposes of these federal requirements.

The Department of Airports makes payments to the County for direct services provided to the Airport System by other County departments. The FAA has authority to audit the payments and to order the County to reimburse the Airport System for any improper payments made to the County. The FAA may also suspend or terminate pending FAA grants to the Airport System and/or any then-existing PFC (as defined above) authorization as a penalty for any violation of the revenue diversion rules. In addition, the U.S. Department of Transportation (DOT) may also withhold non-aviation federal funds that would otherwise be made available to the County as a penalty for violation of the revenue diversion rules.

On November 7, 2014, the FAA amended its 1999 "Policies and Procedures Concerning the Use of Airport Revenue" to confirm that state and local taxes on aviation fuel, whether part of a general sales tax or otherwise, and whether imposed by an airport operator or by state or local taxing authorities, are subject to the federal restrictions on the uses of airport revenue. These restrictions do not apply to taxes in effect on or before December 30, 1987. The FAA's policy amendment became effective on December 8, 2014, but the FAA has provided a three-year transition period for state and local governments to comply. The FAA's policy amendment also requires the Airport System to inform state and local taxing entities of these provisions and take reasonable actions within its power to influence state and local laws to conform to these requirements. The Department has made the required notifications and is working with the County and other taxing entities, including the State of California to ensure compliance with these provisions.

Pension and OPEB Liability

Salaries and benefits costs include funding of retirement benefits for employees of the Airport System who, as County employees, participate in the Sacramento County Employee Retirement System ("SCERS"). For a variety of reasons, including investment losses and enhanced retirement benefits for County employees, SCERS has experienced significant unfunded liabilities, and contribution rates used to calculate retirement costs payable with respect to all County employees, including Airport System employees, have increased significantly in recent years and are expected to continue to increase in the future. As shown in the table below, although contribution rates have increased in recent years, Airport SCERS transfers declined from Fiscal Year 2013-14 through 2017-18 as a result of declines in payroll attributable to County employees assigned to the Airport System and increased in Fiscal Year 2018-19 due to added positions. In addition to required contributions for retirement benefits for employees of the Airport System employees, the County pays certain post-employment health care and other non-pension ("OPEB") benefits for such employees. See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019" – Note 14 and Note 15 to the Basic Financial Statements". The County required payments to SCERS and OPEB, with respect to employees of the Airport System are presented in the table below.

TABLE 12
Airport System SCERS and OPEB Transfers
International Airport
Fiscal Years ending June 30

Fiscal Year	SCERS	OPEB
2012-13	$ 4,438,133	$ 257,402
2013-14	4,325,944	173,006
2014-15	4,288,029	156,889
2015-16	3,709,747	156,946
2016–17	3,511,845	166,513
2017-18	3,652,319	173,174
2018-19	4,192,533	211,654
2019-20 (Projected)	5,594,092	220,120

As a result of losses in prior years and a significant unfunded liability with respect to SCERS, required contributions from the Airport System are expected to increase in the future. In addition, on May 11, 2017, the SCERS Board approved changes in actuarial assumptions as recommended by the plan actuary. The assumption changes included reducing the System's assumed annual investment rate of return from 7.5% to 7% and to phase-in the impact on employers (primarily the County) over three fiscal years, starting in Fiscal Year 2018-19. This means that, when fully phased-in, the County's aggregate, employer retirement rate (across all retirement tiers) will increase by 4.71% as a percent of salaries and relevant benefits, and retirement costs will increase by approximately 22%, before adjusting for actual changes in investment earnings, payroll costs and certain other actuarial assumptions. For Fiscal Year 2019-20, the County's aggregate employer retirement rate increased by 11.9% as a percent of salaries and related benefits, reflecting both the first year of the phase-in of the new assumed rate of return and the impact of changes in investment earnings, payroll costs and other actuarial assumptions.

Investment of Airport System Funds; County Pool

Airport System funds, which constitute monies of the County, are invested in the Sacramento County Pooled Investment Fund (the "County Pool"), which is managed by the Department of Finance. The County Pool is governed by the Sacramento County Annual Investment Policy for the Pooled Investment Fund (the "Investment Policy"). This policy defines investible funds, authorized instruments, credit quality required, maximum maturities and concentrations, collateral requirements, and provides the approved credit standards, investment objectives and specific constraints of the portfolios managed. Authorized investments are required to match the general categories established by the California Government Code. See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019" – Note 4 to the Basic Financial Statements."

Certain Available Funds

The Department has certain funds that are available to pay operating and capital improvement expenses, debt service and unforeseen contingencies. The Department's discretionary cash position has been increasing over the last few years as noted in the table below, primarily due to an increase in net operating income which in turn has augmented the amount of cash available for future capital improvements.

Unrestricted cash and cash equivalent balances available for operating and capital expenses as of June 30, 2019 were approximately $199.5 million and included monies in the Airport Revenue Fund and in the Capital Improvement Fund. The Department-held restricted cash and cash equivalent balances were approximatively $62.2 million and included monies in the Operating Reserve Fund (targeted at 25% of the Annual Operating Budget), in the Reserve and Contingency Fund, in the PFC Revenue Fund and in the CFC Revenue Fund. The Department-held restricted amounts can be used to pay debt service, if necessary.

Unrestricted cash and cash equivalent estimated balances available for operating and capital expenses as of June 30, 2020 were approximately $138.5 million and included monies in the Airport Revenue Fund and in the Capital Improvement Fund. The Department-held restricted cash and cash equivalent estimated balances were approximatively $77.4 million and included $31.1 million in the Operating Reserve Fund, $2 million in the Reserve and Contingency Fund, $38.1 million in the PFC Revenue Fund and $6.2 million in the CFC Revenue Fund. On June 25, 2020, $34.5 million of unrestricted cash was transferred to the Trustee for the defeasance of the 2021 and 2022 maturities of the Series 2010 Senior Bonds and Series 2018 Senior Bonds, thus lowering the unrestricted cash balance as of June 30, 2020. The reimbursement of this amount under the CARES Act provisions was processed on July 7, 2020 and was recorded in Fiscal Year 2020-21.

The following table sets forth cash and cash equivalent balances of the Airport System.

TABLE 13
Cash and Cash Equivalent Balances

	6/30/2017	6/30/2018	6/30/2019	6/30/2020 (Estimated)
Unrestricted				
Airport Revenue Fund[(1)]	$50,611,702	$48,000,144	$56,776,262	$35,482,701
Capital Improvement Fund	136,880,380	151,458,107	142,681,298	103,028,130
Total unrestricted	$187,492,082	$199,458,251	$199,457,560	$138,510,831
Restricted				
Operating Reserve Fund	$23,091,336	$24,415,776	$26,102,341	$31,137,374
Reserve and Contingency Fund	2,000,000	2,000,000	2,000,000	2,000,000
PFC Fund[(2)]	21,786,232	24,797,144	33,561,960	38,067,997
CFC Fund[(3)]	0	0	553,172	6,228,977
Total restricted	$46,877,568	$51,212,920	$62,217,473	$77,434,348
Total Cash and Cash Equivalents -Department Held	$234,369,650	$250,671,171	$261,675,033	$215,945,179

(1) June, 2020 does not include $34.5 million reimbursed from CARES Act for June 25, 2020 bond defeasance
(2) Increases in the PFC Fund are mainly due to increased enplanements.
(3) Customer Facility Charges implemented in Fiscal Year 2018-19.
Source: County of Sacramento, Department of Airports

Summary of Historical Revenues, Expenses and Debt Service Coverage

The following table contains a summary of historical revenues, operating expenses and debt service coverage based on the County's audited Financial Statements for Fiscal Year 2015-16 through Fiscal Year 2018-19. Estimates for Fiscal Year 2019-20 are included and reflect impacts of the COVID-19 pandemic for the period of March 10, 2020 through June 30, 2020. See "COVID-19 PANDEMIC." The estimates consider the following assumptions:

Fiscal Year 2019-20 Forecast Revenues are estimated at $204.8 million, which reflect a $19.4 million or 10.4% decrease compared to Fiscal Year 2018-19. Pre-COVID-19 revenues for the first nine months of Fiscal Year 2019-20 totaled $144.6 million, a 4.1% increase compared to the same period in Fiscal year 2018-19. However, since the COVID-19 outbreak, the significant reduction in passengers and airport services have greatly impacted the expected results for fiscal year-end. Significant assumptions include:

- Concession revenues that are collected on a percentage basis of passenger demand are estimated at $79.2 million for Fiscal Year 2019-20, and represent a 20.0% reduction compared to the prior fiscal year as a result of the COVID-19 "Stay at Home" and "Social Distancing" Orders.
- Reflective of the County's Temporary Tenant Relief Program developed to provide economic relief to airport partners, $4.3 million in concession rents, representing the minimum annual guarantee rents due for April through June, 2020, are waived.
- Airline revenues reflect the year-end settlement payment due to Signatory Airlines for the prior fiscal year totaling $4.1 million.
- Accrued $34.5 million in accordance with Indenture for CARES Act reimbursement for bond defeasance.
- Building and ground rents reflect an average CPI increase of 2%

Fiscal Year 2019-20 Forecast Expenditures are estimated at $117.4 million representing a 10.3% increase compared to Fiscal Year 2018-19 expenditures. At March 30, 2020, expenditures reflected a 13.8% increase, year over year. The expenditures for the first nine months were reflective of the Fiscal Year 2019-20 Budget which was developed during record growth for the Airport System, and included 30 new FTE positions, whereas by March 2020, only three of the new positions remained vacant. Following the COVID-19 pandemic, a number of cost reduction measures were implemented, including:

- Hiring freeze on all non-essential vacant positions—Estimated savings of $770,000
- Suspend all non-critical travel—Estimated savings of $380,000
- Closed public parking lots, reducing shuttle costs—Estimated savings of $620,000
- Identified capital projects that could safely be delayed—Estimated savings for Fiscal Year 2020-21 of $104.4 million

Debt Service Coverage and Rate Covenant. The following table presents the forecast of Net Revenues and Transfers in relation to Accrued Debt Service and rate covenants required by the Indenture. Although not required by the Indenture, the calculations of debt service coverage are also shown without the 25% Transfers.

The information in the following table reflects the definitions, conventions and debt service coverage calculation methodology set forth in the Indenture.

TABLE 14
Historical and Estimated Revenues, Operating Expenses and Debt Service Coverage for Fiscal Year 2015-16 through 2019-20
(in thousands)

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Estimated Fiscal Year 2019-20
Rate Covenant per Section 6.04 (b)(i)					
Revenues(1)	$ 171,151	$ 178,109	$ 187,410	$ 193,835	$ 204,785
Operating Expenses(2)	(88,096)	(91,318)	(101,128)	(106,474)	(117,442)
Net Revenues	$ 83,055	$ 86,791	$ 86,282	$ 87,361	$ 87,343
Transfer (limited to 25%)	13,391	13,339	9,801	10,972	11,715
Net Revenues + Transfer	$ 96,446	$ 100,130	$ 96,083	$ 98,333	$ 99,058
Accrued Debt Service on Senior Obligations	$ 53,563	$ 53,355	$ 39,203	$ 43,889	$ 46,859
DEBT SERVICE COVERAGE (>1.25)	1.80x	1.88x	2.45x	2.24x	2.11x
Debt service coverage w/o Transfer*	1.55x	1.63x	2.20x	1.99x	1.86x
Rate Covenant per Section 6.04 (b)(ii)					
Net Revenues	$ 83,055	$ 86,791	$ 86,282	$ 87,361	$ 87,343
Transfer (limited to 10%)**	5,356	5,336	3,920	4,389	4,686
Net Revenues + Transfer	$ 88,411	$ 92,127	$ 90,202	$ 91,750	$ 92,029
Accrued Debt Service of Senior Obligations	$ 53,563	$ 53,355	$ 39,203	$ 43,889	$ 46,859
Debt Service on Subordinate Obligations	21,944	20,832	13,494	16,145	16,704
LESS: Passenger Facility Charges	(21,944)	(20,832)	(13,494)	(16,145)	(16,704)
LESS: Grant Funds	0	0	0	0	0
Accrued Debt Service on Senior and Subordinate. Obligations	$ 53,563	$ 53,355	$ 39,203	$ 43,889	$ 46,859
DEBT SERVICE COVERAGE (>1.10)	1.65x	1.73x	2.30x	2.09x	1.96x

(1) Master Indenture adjusts Operating Revenues to include Interest Income, Intergovernmental Revenues and Other Nonoperating Revenues.
(2) Master Indenture adjusts Operating Expenses to (1) exclude depreciation and amortization and (2) include transfers out to the County for airport pensions.
* See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 SENIOR BONDS—Rate Covenant” for a description of the permitted use of Transfers.
Source: County of Sacramento, Department of Airports

INVESTMENT CONSIDERATIONS

The following information should be considered by prospective investors, in addition to the other matters set forth in this Official Statement in evaluating the Series 2020 Senior Bonds. However, it does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Series 2020 Senior Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Rate Covenant Not a Guarantee; Failure to Meet Projections

The ability of the County to pay the principal of and interest on the Series 2020 Senior Bonds depends on the ability of the County to generate Net Revenues in the levels required by the Indenture. Although, as more particularly described herein, the County expects that sufficient revenues will be generated through the imposition and collection of the fees, rents charges and other Revenues described herein, there is no assurance that such imposition of fees, rents charges or other Revenues will result in the generation of Net Revenues in the amounts required by the Indenture. As a result, the Rate Covenant set forth in the Indenture does not constitute a guarantee that sufficient Net Revenues will be available to make debt service payments on the Series 2020 Senior Bonds.

In addition, the County can provide no assurances that operation of the Rate Covenant set forth in the Indenture will not be limited by the requirement of federal law that all aeronautical rates and charges be reasonable. If the Rate Covenant set forth in the Indenture would require the County to increase airline rates and charges in order to provide sufficient funds to make payments on the Series 2020 Senior Bonds, but the increased airline rates or charges would not be reasonable, then the County will not be able to increase such rates or charges and would be required to increase non-airline rates and charges or take other actions to meet the Rate Covenant. Under such circumstances there could be delays or reductions in payments on the Series 2020 Senior Bonds. See "–Federal Law Affecting Airport Rates and Charges."

COVID-19 Pandemic

Airports in the United States, including International Airport, have been materially adversely impacted by the broad-based economic shutdown resulting from efforts to stop the spread of COVID-19, including reductions in flights and declines in passenger volumes. The outbreak has adversely affected domestic and international travel and travel-related industries. Airlines are reporting unprecedented downturns in passenger volumes, which in turn, has resulted in a considerable reduction in scheduled service. For a discussion of existing and potential future impacts of the operations and financial condition of the Airport System, see "COVID-19 PANDEMIC."

The County cannot predict (1) the duration or extent of the COVID-19 pandemic or another outbreak or pandemic; (2) the scope or duration of the current COVID-19 pandemic and any additional restrictions or warnings related to air travel, gatherings or any other activities, and the duration or extent to which airlines will reduce services at International Airport, or whether airlines will cease operations at International Airport or shut down in response to such restrictions or warnings; (3) what additional short or long-term effects the restrictions or warnings imposed as a result of the COVID-19 pandemic may have on air travel, including to and from International Airport, the retail and services provided by International Airport concessionaires, Airport System costs or revenues; (4) to what extent the COVID-19 pandemic or another outbreak or pandemic may disrupt the local, State, nation or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airport-related construction, the cost, sources of funds, schedule or implementation of the County's CIP, or other International Airport operations; (5) the extent to which the COVID-19 pandemic or another outbreak or pandemic, or the resultant disruption to the local, State, national or global economy, may result in changes in demand for air travel, or may have an impact on the airlines or concessionaires serving International Airport, or the airline and travel industry, generally; (6) whether or to what extent the County may provide additional deferrals, forbearances, adjustments or other changes to the

County's arrangements with International Airport tenants and concessionaires; or (7) the duration and extent of the material adverse effect on the finances and operations of the Airport System expected to result from the foregoing.

Prospective investors should assume that the restrictions and limitations related to the COVID-19, and the current upheaval to the air travel industry and the national and global economies, will continue at least over the near term, recovery may be prolonged and, therefore, have an adverse impact on Airport System revenues. Future outbreaks, pandemics or events outside the County's control may further reduce demand for travel, which in turn could cause a decrease in passenger activity at International Airport and declines in Airport System revenues.

Economic Conditions

Historically, the financial performance of the air transportation industry has correlated with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the U.S. to sustain growth in economic output and income. In addition, traffic at the International Airport will depend in part on the economic conditions in the State and local service area.

The COVID-19 pandemic is materially adversely impacting the State, national and global economies. The short and long term effects of these developments on the broader economy are not known at this time. There can be no assurances that weakness in the national, state and/or local economy will not have an adverse effect on the air transportation industry, and on the Airport System. See "COVID-19 PANDEMIC."

Cost of Aviation Fuel

Airline earnings are significantly affected by changes in the price of aviation fuel. According to Airlines for America (an airline trade association, formerly known as Air Transport Association of America), fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but an increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the rapid growth of economics such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather.

While fuel prices have declined significantly in the past few years, significant and prolonged increases in the cost of aviation fuel in the future could have an adverse impact on airline profitability.

Uncertainties of the Airline Industry

There are numerous factors which affect air traffic generally and air traffic at the Airport System more specifically. Demand for air travel is influenced by factors such as population, levels of disposable income, the nature, level and concentration of industrial and commercial activity in the service area, and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure and hub strategies of the airlines serving an airport, the willingness of competing airlines to enter into an airport market, the cost of operating at an airport, the price of fuel, and any operating constraints (due to capacity, environmental concerns or other related factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport, such as the National Air Traffic Control System.

The industry is cyclical and subject to intense competition and variable demand. Traffic volumes are responsive to economic circumstances and seasonal patterns. Other factors, such as fuel and regulatory costs, can also have a significant impact on the industry. As a result, financial performance can fluctuate dramatically from one reporting period to the next.

Since the economic deregulation of the airline industry in 1978, the industry has undergone significant changes including a number of airline mergers, acquisitions, bankruptcies and closures. In addition, the financial results of the airline industry have been subject to substantial volatility since deregulation. The financial strength and stability of airlines serving International Airport are key determinants of future airline traffic. The financial results of the airline industry have been subject to substantial volatility since deregulation, and many carriers have not been profitable, particularly after the events of September 11, 2001, the Severe Acute Respiratory Syndrome outbreak in 2003, the war in Iraq, recessions, availability and increases in aviation fuel prices. Additional bankruptcy filings, mergers, consolidations and other major restructuring by airlines are possible. In addition, individual airline decisions regarding level of service, particularly hub activity, at International Airport will affect total enplanements. An outbreak of a disease or similar public health threat that affects travel demand or travel behavior, or travel restrictions or reduction in the demand for air travel caused by an outbreak of a disease or similar public health threat in the future, could have a material adverse impact on the airline industry and result in substantial reductions in and/or cancellations of, bookings and flights.

There is no assurance that International Airport, despite a demonstrated level of airline service and operations, will continue to maintain such levels in the future. The continued presence of the airlines serving International Airport, and the levels at which that service will be provided, are a function of a variety of factors. Future airline traffic at International Airport will be affected by, among other things, the growth or decline in the population and the economy of the International Airport service region and by national and International Airport service region economic conditions, federal regulatory actions, airline service, air fare levels and the operation of the air traffic control system.

The County makes no representation whatsoever with respect to the continued viability of any of the carriers serving International Airport.

Worldwide Health Concerns

Travel restrictions, as well as other public health measures, may be imposed to limit the spread of communicable diseases which may arise. The COVID-19 pandemic has had an adverse effect on domestic and international travel and a number of travel-related industries, and has severely and broadly disrupted local and global economies. See "COVID-19 PANDEMIC."

Other previous travel alerts or advisories include the 2016 travel alert by the U.S. Centers for Disease Control and Prevention, warning pregnant women to avoid travel to areas where outbreaks of the Zika virus, which was linked to birth defects, were occurring. In 2009, WHO and the U.S. Department of Health and Human Services (through the Secretary of the Department of Homeland Security) declared public health emergencies as the result of the outbreaks of a serious strain of H1N1 influenza. In spring 2003, there was an outbreak of a serious strain of bird flu in Asia and Canada called Severe Acute Respiratory Syndrome, or "SARS".

Future outbreaks or pandemics may lead to a further decrease in air traffic, at least for a temporary period, which in turn could cause a further decrease in passenger activity at International Airport and a corresponding decline in Revenues. A disruption to the global supply chain due to a pandemic can also stall manufacturing and construction operations, which in turn could interfere with the County's implementation of the Airport System CIP and other operations, or the operations of the airlines operating at International Airport. The County currently has adopted temporary measures that are intended to mitigate the impacts on International Airport of the COVID-19 outbreak. However, the County is unable to predict if these measures are sufficient, or the extent and duration of the impact that the COVID-19 outbreak will have in the long-term on air travel to and from International Airport and on operations of the Airport System. Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current upheaval to the air travel industry and the national and global economies, will increase at least over the near term and, therefore, have an adverse impact on Airport System Revenues.

Other Information Concerning the Airlines

Revenues may be affected by the ability of the airlines serving the Airport System, individually or collectively, to meet their obligations to pay rates, rentals, fees and charges. Many of the major scheduled domestic airlines serving International Airport, or their respective parent corporations, as well as the foreign airlines serving International Airport with American Depository Receipts ("ADRs") registered on a national exchange, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the Securities and Exchange Commission (the "SEC"). Certain information, including financial information, concerning such domestic airlines, or their respective parent corporations, and such foreign airlines is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected and copied at the public reference facilities maintained by the SEC, which can be located by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site containing reports, proxy statements and other information regarding registrants that file electronically with the SEC. In addition, each airline is required to file periodic reports of financial aid and operating statistics with the U.S. DOT. Such reports can be inspected at the U.S. DOT's Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, 1200 New Jersey Avenue, S.E., Washington, D.C. 20590, and copies of such reports can be obtained from U.S. DOT at prescribed rates.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments or foreign corporations file limited information only with the USDOT.

The County has no responsibility for the completeness or accuracy of information available from the USDOT or SEC, including, but not limited to, updates of information on the SEC's Internet site or links to other Internet sites accessed through the SEC's site. The County has not reviewed or verified any of the information contained in such reports filed with the SEC and makes no representation as to the accuracy, completeness or fairness of any such reports or other information made available to the public by the airlines or their respective parent corporations.

International Conflict and Threat of Terrorism

The increased threat of terrorism has had, and may continue to have, a negative impact on air travel. The County cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the County or the airline operating at International Airport from such incidents or disruptions.

Effect of Airline Bankruptcies

A bankruptcy of an airline operating at the Airport System could result in delays or reductions in payments on the Series 2020 Senior Bonds.

From time to time over the last several years, major airlines serving International Airport have emerged from bankruptcy. Additional bankruptcy filings may occur in the future. The bankruptcy of an airline with significant operations at the Airport System could have a material adverse effect on operations of the Airport System, Revenues, and the cost to the other airlines operating at the Airport System.

In the event of an airline bankruptcy, the automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by the airline to the County or any action to enforce any obligation of the airline to the County. With the authorization of the bankruptcy court, the airline may be able to repudiate some or all of its agreements with the County and stop performing its obligations (including payment obligations) under such agreements. Such a repudiation could also excuse the other parties to such agreements from performing any of their obligations. The airline may be able, without the consent and over the objection of the County, the Trustee, and the holders of the Series 2020 Senior Bonds, to alter the terms, including the payment terms, of its agreements with the County, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the airline may be able to assign its rights and obligations under any of its agreements with the County to another entity, despite any contractual provisions prohibiting such an assignment. The Trustee and the holders of the Series 2020 Senior Bonds may be required to return to the airline as preferential transfers any money that was used to make payments on the Series 2020 Senior Bonds and that was received by the County or the Trustee from the airline during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the County under any lease with the airline may be subject to limitations.

An airline is likely to be in possession of PFCs at the time it goes into bankruptcy. While there are provisions in the law requiring airlines to treat PFCs as trust funds, the application of these provisions in a bankruptcy case is not clear. The airline may not be required to turn over to the County or the Trustee any PFCs in its possession at the time it goes into bankruptcy. Even while the airline is in bankruptcy, it may not be required to turn over PFCs that are collected prior to the time that the County or the Trustee demands the turnover of the PFCs. Even after a demand is made, it is possible that the airline would not be required to turn over subsequently-collected PFCs.

There may be delays in payments on the Series 2020 Senior Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of an airline that could result in delays or reductions in payments on the Series 2020 Senior Bonds. Regardless of any specific adverse determinations in an airline bankruptcy proceeding, the fact of an airline bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2020 Senior Bonds.

Effect of Concessionaire Bankruptcies

A bankruptcy of any significant concessionaire at International Airport could also result in delays or reductions in payments on the Series 2020 Senior Bonds, for reasons similar to those discussed above with respect to airline bankruptcies. Regardless of any specific adverse determinations in a concessionaire bankruptcy proceeding, the fact of such a bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2020 Senior Bonds.

Effect of County Bankruptcy

The County is able to file for bankruptcy under Chapter 9 of the Bankruptcy Code. A bankruptcy of the County could result in delays or reductions in payments on the Series 2020 Senior Bonds.

Should the County become the debtor in a bankruptcy case, the holders of the Series 2020 Senior Bonds will not have a lien on Revenues received by the County or the Trustee after the commencement of the bankruptcy case unless such revenues constitute “special revenues” within the meaning of the Bankruptcy Code. “Special revenues” are defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used to provide transportation services, as well as other revenues or receipts derived from particular functions of the debtor. While the County believes that the Revenues should be treated as special revenues, no assurance can be given that a court would not find otherwise. If Revenues are not special revenues, there could be delays or reductions in payments on the Series 2020 Senior Bonds. Even if a court determines that Revenues are special revenues, the County will be able to use such revenues to pay operation and maintenance costs of the Airport System, notwithstanding any provision of the Indenture or any other agreement to the contrary.

There may be other possible effects of a bankruptcy of the County that could result in delays or reductions in payments on the Series 2020 Senior Bonds.

Regardless of any specific adverse determinations in a County bankruptcy proceeding, the fact of a County bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2020 Senior Bonds.

Concentration of a Single Airline

In Fiscal Year 2018-19, Southwest Airlines accounted for approximately 53.3% of the total enplaned passengers at International Airport. Where an airport has a significant market share accounted for by a single airline, there is also risk associated with the potential for that airline to reduce or discontinue service. However, in the case of Southwest Airlines at International Airport, this risk is mitigated by the following factors: (i) Southwest Airlines does not operate a connecting hub at International Airport, and the passengers served are primarily origin-destination passengers; (ii) the development of service by Southwest Airlines has demonstrated the level of locally-generated passenger demand that could be served by other airlines at International Airport if Southwest Airlines were to reduce service; and (iii) Southwest Airlines has a proven record, with very few exceptions, of maintaining and increasing service at the airports it serves. However, following the recession of 2008 airlines operating at International Airport, including Southwest Airlines, reduced the number of seats offered to International Airport.

Competition

The other major airports that compete with the Airport System for passengers and cargo traffic are San Francisco International Airport, Oakland International Airport and Norman Y. Mineta San Jose International Airport. While the County expects International Airport to continue to be the major air traffic center for the Sacramento area, based on passenger preferences stemming from the Airport System's location and service, there can be no assurance that such passenger preferences will continue and that passengers will not choose to fly from competing airports.

Federal Law Affecting Airport Rates and Charges

In general, federal aviation law requires that airport fees charged to airlines and other aeronautical users be reasonable and that in order to receive federal grant funding, all airport generated revenues must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. Pursuant to the requirements of the 1994 Aviation Act the USDOT and FAA have promulgated regulations setting forth an expedited hearing process to be followed in determining the reasonableness of the fees charged to airlines and other aeronautical users.

The County is not aware of any formal dispute involving International Airport over any existing rates and charges. The County believes the rates and charges it imposes upon air carriers, foreign air carriers and other aeronautical users, and the rates and charges methodology utilized for the Airline Agreement, are reasonable and consistent with federal law and applicable FAA regulations.

However, there can be no assurances that one or more airlines will not challenge the compensatory rates established by the County with respect to the Airline Agreement or, if such a challenge were to be brought, that it would not be successful. A successful challenge to the compensatory rates set forth in the Airline Agreement could limit the ability of the County to charge the airlines and other aeronautical rates required by the provisions of the Indenture and would require the County to increase rates and fees charged to non-aeronautical users, which could have a material adverse impact on the financial condition of the Airport System.

The County can provide no assurances that the operation of the Rate Covenant set forth in the Indenture will not be limited by the requirement of federal law that all aeronautical rates and charges be reasonable. See "-Rate Covenant Not a Guarantee; Failure to Meet Projection."

Additional Obligations Can Be Issued Without Bondholder Consent

Under the Indenture the County is permitted to issue additional obligations without obtaining any consent from any holder of existing Series 2020 Senior Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 SENIOR BONDS." Such newly issued obligations may be junior to, or on a parity with the Series 2020 Senior Bonds, as long as the requirements of the Indenture are satisfied. Any such additional obligations may be secured by the Trust Estate and thus an increased amount of debt will be outstanding, but the amount of collateral for those obligations will not be increased. Certain of the conditions for the issuance of additional obligations relate to financial projections regarding the future operations of the Airport System. The County can provide no assurance that such projections will be achieved. If such projections are not achieved, there may be insufficient Revenues to make the required payments on all of the Series 2020 Senior Bonds, unless airport rates and charges are increased. The County, however, may be unable to increase airport rates and charges as a result of federal law that requires all airport rates and charges to be reasonable. See "INVESTMENT CONSIDERATIONS – Federal Law Affecting Airport Rates and Charges." Under such circumstances, there could be delays or reductions in payments on the Series 2018 Senior Bonds.

Collateral Can Be Released to the County

Under the Indenture the County is permitted to direct the Trustee to release portions of the Trust Estate to the County, free and clear of the lien of the Indenture, without obtaining any consent from any holder of the Series 2020 Senior Bonds, as long as certain conditions are satisfied. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 SENIOR BONDS – Released Revenues." Certain of the conditions for the release of collateral relate to financial projections regarding the future operations of the Airport System. The County can provide no assurance that such projections will be achieved. If such projections are not achieved, there may be insufficient Revenues remaining in the Trust Estate to make the required payments on the Series 2020 Senior Bonds, unless airport rates and charges are increased. The County, however, may be unable to increase airport rates and charges as a result of federal law that requires all airport rates and charges to be reasonable. See "INVESTMENT CONSIDERATIONS – Federal Law Affecting Airport Rates and Charges." Under such circumstances, there could be delays or reductions in payments on the Series 2020 Senior Bonds.

Unavailability of, or Delay in, Anticipated Funding Sources

As described herein, the County anticipates that funding for the CIP will be provided through internally generated cash flow, PFCs, federal grants, and other sources. See "CAPITAL PROJECTS AND PLANNING" for a description of the financing plan for the CIP. In the event that any of such sources are unavailable for any reason, including unavailability of internally generated cash flow; reduction in the amount of PFC or federal grants available to the Airport System; non-appropriation of, or delay in payment of, federal grants; the inability of the County to issue or sell additional Senior Obligations or Subordinate Obligations if necessary; or any other reason, the CIP could be substantially delayed and financing costs could be higher than projected. There can be no assurances that such circumstances will not materially adversely affect the financial condition or operations of the Airport System.

No assurance can be given that PFC revenues will actually be received in the amounts or at the times contemplated by the County. The amount and timing of receipt of actual PFC revenues are expected to vary depending on actual levels of qualified passenger enplanements at International Airport. In addition, the FAA may terminate the County's ability to impose PFC revenues, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Acts or the regulations promulgated thereunder, or (b) the County otherwise violates the PFC Acts or regulations. The Department's authority to impose passenger facility charges may also be terminated if the Department violates certain AIP grant assurances and certain provisions of the Airport Noise and Capacity Act of 1990 ("ANCA") and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the County's authority to impose passenger facility charges would not be summarily terminated. No assurance can be given that the County's authority to impose passenger facility charges will not be terminated by Congress or the FAA, that the passenger facility charge program will not be modified or restricted by Congress or by the FAA so as to reduce PFC revenues available to the County or that the County will not seek to decrease the amount of the passenger facility charges to be collected.

Impact of Potential Floods

During the severe winter storms in the Sacramento area in 1986, 1997 and 2006, the American River and Sacramento River levee systems carried a record volume of water due to heavy rainfall of long duration. Although these storms caused some flooding in certain areas, the major levee systems that protect properties in the Sacramento area from disaster withstood the record water flows. However, as described below, certain levee systems in the area, including those protecting International Airport, had been determined to provide significantly less protection against flooding than previously thought.

In June 2006, the United States Army Corps of Engineers (the "Corps") stated that, primarily because of under seepage, levees in the Natomas Basin area of the County (which includes International Airport) were no longer certifiable for a 100 year flood event (i.e., a flood event that has a 1% chance of occurrence in any year). In January 2008, the Corps completed additional analysis and concluded that it could not certify the Natomas Basin levee system for a 33 year flood event (i.e., a flood event that has a 3% chance of occurrence in any year). As a result, future development starting after December 2008 in the Natomas Basin was severely limited until the deficiencies in the levee system are corrected. Mandatory flood insurance requirements do not apply to International Airport.

FEMA has issued a revised map and designated the area within the Natomas Basin (including the International Airport) as Zone A99 effective June 16, 2015. According to FEMA, an area designated as Zone A99 has a 1% annual chance of a flood event but ultimately will be protected upon completion of an under-construction federal flood-protection system. The four major requirements for such designation are (a) 50% of the critical improvements to achieve a 100-year level of flood protection have been constructed, (b) 50% of the total cost for such improvements has been expended, (c) 60% of the total cost of the improvements has been appropriated, and (d) 100% of the improvements have been authorized.

Even though the Natomas Basin has been designated as Zone A99, the Natomas Basin will not be outside of a 100-year flood zone until certain levee improvements are completed. On June 10, 2014, President Barack Obama signed the Water Resources Reform and Redevelopment Act ("WRRDA") into law. With respect to the Natomas Basin, the WRRDA directs the Corps to strengthen 24 miles of levees surrounding the Natomas Basin (the "Levee Project"). Although the WRRDA authorizes funding, the Congress must pass annual appropriations to complete the Levee Project. Currently, the completion of the Levee Project is expected to take at least five to ten years. Until the Levee Project is completed, property within the Natomas Basin (including International Airport) remains at risk for flood-related property damage.

Flooding of the Sacramento area could result in significant damage to International Airport or to a shutdown of International Airport operations which could materially adversely affect the financial condition or operations of the Airport System and the ability of the County to generate Net Revenues in the amounts required by the Indenture.

Impact of Potential Earthquakes

Generally, seismic activity occurs on a regular basis within the State. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential damage to property located at or near the center of such seismic activity. A serious earthquake could result in damage within the County and to roads, bridges, and other property, including International Airport. Damage to International Airport could include pavement displacement (which could, in the worst case, necessitate the closing of one or more runways for extended periods of time), distortions of pavement grades, breaks in utility, loss of water supply, drainage and sewage lines, displacement or collapse of buildings, rupture of gas and fuel lines, and collapse of levees adjacent to International Airport with consequential flooding. The facilities of the Airport System were each designed to the seismic standards existing at the later of the time of original construction or renovation. However, there can be no assurances that damage resulting from an earthquake will not materially adversely affect the financial condition or operations of the Airport System or the ability of the County to generate Net Revenues in the amounts required by the Indenture.

Cybersecurity

The operational impact of a major security incident could significantly impact the Airport System's ability to operate. Airlines serving the Airport System, other Airport tenants, the Federal Aviation Administration, and the Transportation Security Administration also face cybersecurity threats that could affect their operations and finances. A single significant cybersecurity incident could result in a range of potentially material negative consequences for International Airport including: injury to persons or property; unauthorized access to, disclosure, modification, misuse, loss or destruction of systems or data; theft of sensitive regulated or confidential data, such as personal identifying information; the loss of functionality of critical systems through ransomware, denial of service or other attacks; flight and business delays, or flight cancelations; service or system disruptions; damage to equipment; and loss of revenue from parking, concessionaires, and other sources.

Unmanned Aerial Vehicles

With the proliferation of inexpensive, commercially available, unmanned aerial vehicles ("UAVs"), or drones, the threat that unauthorized and unsafe UAV operations near airports could adversely affect the safety or security of U.S. airports and arriving or departing aircraft. Recent incursions of airport airspace by UAVs have disrupted airport operations by causing flights to be halted or diverted. London's Gatwick Airport was closed for 27 hours, impacting some 140,000 passengers and causing roughly 1,000 flights to be delayed or cancelled between December 19 and 21, 2018 due to drone incursions. An unauthorized UAV incursion at International Airport could result in the temporary delay or cancellation of flights to or from International Airport as well as harm the Airport System's brand, reputation and its relationships with customers, airlines and/or government partners. Although UAVs are regulated by the FAA and federal law prohibits the County from disrupting UAV operations or undertaking counter UAV measures, the County is working closely with the FAA to develop measures that prevent unauthorized UAV activity from adversely affecting airports. However, there can be no assurance, that in the future, unauthorized UAV activity will not adversely affect Airport operations.

Climate Change Issues

Climate change concerns have led to new laws and regulations at the federal and State levels that could have a material adverse effect on the County's operations and on airlines operating at International Airport. The U.S. Environmental Protection Agency (the "EPA") has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On December 14, 2009, the EPA made an "endangerment and cause or contribute finding" under the Clean Air Act, codified at 40 C.F.R.1. In the finding, the EPA determined that the body of scientific evidence supported a finding that six identified GHGs – carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride – cause global warming, and that global warming endangers public health and welfare. The EPA also found that GHGs are a pollutant and that GHG emissions from motor vehicles cause or contribute to air pollution. This finding requires that the EPA regulate emissions of certain GHGs from motor vehicles. The Clean Air Act regulates aircraft emissions under provisions that are parallel to the requirements for motor vehicle emissions. Accordingly, the EPA may elect or be forced by the courts to regulate aircraft emissions as a result of this endangerment finding. While the EPA has not yet taken any action to regulate GHG emissions from aircraft, regulation may still be forthcoming. On July 5, 2011, the U.S. District Court for the District of Columbia issued an order concluding that the EPA has a mandatory obligation under the Clean Air Act to consider whether the greenhouse gas and black carbon emissions of aircraft engines endanger public health and welfare. The EPA is in the process of making its required determinations. The County cannot predict what the EPA's findings will be or what effect they will have on the Airport System or the air traffic at International Airport.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including California, and have been proposed on the federal level. California passed Assembly Bill 32, the California Global Warming Solutions Act of 2006 ("AB 32"), which requires the statewide level of GHGs to be reduced to 1990 levels by 2020. On October 20, 2011, the California Air Resources Board ("CARB") made the final adjustments to its implementation of AB 32: the California cap-and-trade program (the "California Cap-and-Trade Program"). The Airport System's annual metric tons of carbon dioxide equivalent emissions does not currently exceed 25,000 metric tons and therefore the County is not required to participate in the California Cap-and-Trade Program with respect to the Airport System.

The County is unable to predict what Federal and/or state laws and regulations with respect to GHG emissions will be adopted, or what effects such laws and regulations will have on airlines serving the Airport System or on Airport System operations. The effects, however, could be material.

Internal Revenue Service Audits

The Internal Revenue Service ("IRS") is engaged in an ongoing program of auditing tax-exempt obligations to determine whether interest on such tax-exempt obligations is properly excludable from the gross income of the owners thereof for federal income tax purposes. In the course of such audits, the IRS has on occasion concluded that such bond issues did not satisfy the conditions of tax-exempt status, but has agreed not to tax interest paid to owners of the audited bonds provided that the issuer or the conduit borrower enters into a closing agreement with the IRS under which a sometimes substantial payment is made to the IRS. If the IRS opens an audit of the Series 2020 Senior Bonds, such audit may have an adverse impact on their marketability and price (regardless of the ultimate outcome of the audit).

LITIGATION

There is no litigation now pending against the County or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2020 Senior Bonds or in any way contesting or affecting the validity of the Series 2020 Senior Bonds or any proceedings of the County taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2020 Senior Bonds or the use of the Series 2020 Senior Bond proceeds.

There are a number of litigation matters pending against the County for incidents at the Airport System. These claims and suits are of a nature usually incident to the operation of the Airport System and, in the aggregate, in the opinion of the management of the Airport System, based upon the advice of the County Counsel, will not have a material adverse effect on the Net Revenues of the Airport System or financial condition or operations of the Airport System. It should be noted that a significant portion of the claims relating to personal injuries and property damage are covered by a comprehensive insurance program maintained by the County for the Airport System.

RATINGS

The Series 2020 Senior Bonds have been assigned ratings of "A2 (stable outlook)" and "A (negative outlook)," respectively, by Moody's Investors Service Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"). Certain information was supplied by the County to such rating agencies to be considered in evaluating the Series 2020 Senior Bonds. The ratings reflect only the views of the rating agencies and any explanation of the significance of such ratings may be obtained only from such rating agencies. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or any of them, if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the Series 2020 Senior Bonds.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County ("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 Series 2020 Senior Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2020 Senior Bond for any period that such Series 2020 Senior Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2020 Senior Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the Series 2020 Senior Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2020 Senior Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

Series 2020 Senior Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Series 2020 Senior Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Series 2020 Senior Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Series 2020 Senior Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Series 2020 Senior 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 Series 2020 Senior Bonds. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2020 Senior Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2020 Senior Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2020 Senior Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2020 Senior Bonds may adversely affect the value of, or the tax status of interest on, the Series 2020 Senior Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2020 Senior Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2020 Senior Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2020 Senior Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2020 Senior Bonds. Prospective purchasers of the Series 2020 Senior Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2020 Senior Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2020 Senior Bonds ends with the issuance of the Series 2020 Senior Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the Series 2020 Senior Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2020 Senior Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2020 Senior Bonds, and may cause the County or the Beneficial Owners to incur significant expense.

LEGAL MATTERS

The validity of the Series 2020 Senior Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County. A complete copy of the proposed form of the Bond Counsel opinion is contained in Appendix F. Certain matters will be passed upon on behalf of the County by the Sacramento County Counsel, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, its Disclosure Counsel, and on behalf of the Underwriters by their counsel, Kutak Rock LLP. Bond Counsel, Disclosure Counsel and Underwriters' counsel have not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of owners of the Series 2020 Senior Bonds to provide certain financial information and operating data relating to the County and the Airport System by not later than seven months after the end of the County's Fiscal Year in each year, commencing with the report for Fiscal Year 2019-20 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of events will be filed by the County electronically with the EMMA system. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of events by the County to provide certain information is summarized in APPENDIX E - "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Within the last five years, the County has been subject to prior continuing disclosure undertakings entered into pursuant to the Rule (the "Prior Continuing Disclosure Undertakings"). During that period, the County did not timely file at least three instances of rating changes of County obligations relating to insurer rating changes with EMMA. Other than such ratings change notices described above, the County is not aware of any events in the last five years which may have required the filing of significant event notices under continuing disclosure undertakings entered into pursuant to the Rule that were not filed.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC is employed as Municipal Advisor to the County in connection with the issuance of the Series 2020 Senior Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Series 2020 Senior Bonds is contingent upon the issuance and delivery of the Series 2020 Senior Bonds. PFM Financial Advisors LLC, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2020 Senior Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Municipal Advisor to the County has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the County and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, certified public accountants, will verify the accuracy of the mathematical computation of the adequacy of the amounts to be deposited in the Escrow Fund established for the Refunded Bonds and certain other matters. See "PLAN OF REFUNDING."

UNDERWRITING

Morgan Stanley & Co. LLC, as representative of the Underwriters set forth on the cover page hereof (the "Underwriters"), has agreed, subject to certain conditions, to purchase the Series 2020 Senior Bonds at a price of $100,784,233.09 (which is equal to the aggregate principal amount of the Series 2020 Senior Bonds of $79,705,000, plus original issue premium of $21,283,732.60, and less an underwriters' discount of $204,499.51). The purchase contract relating to the Series 2020 Senior Bonds provides that the Underwriters will purchase all the Series 2020 Senior Bonds if any are purchased. The Series 2020 Senior Bonds may be offered and sold by the Underwriters to certain dealers and others at prices lower than such public offering price, and such public offering price may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following paragraphs for inclusion in the Official Statement:

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

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

Morgan Stanley & Co. LLC, an underwriter of the Series 2020 Senior Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2020 Senior Bonds.

BofA Securities, Inc., an underwriter of the Series 2020 Senior Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2020 Senior Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the County set forth in Appendix B in the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2019 have been examined by Macias Gini & O'Connell LLP, independent certified public accountants, for the periods indicated and to the extent set forth in their report thereon and should be read in their entirety. Macias Gini & O'Connell LLP, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Macias Gini & O'Connell LLP also has not performed any procedures relating to this Official Statement.

The finances of the Airport System are reported as an "enterprise fund" in the Comprehensive Annual Financial Report of the County. The Comprehensive Annual Financial Report also contains information with respect to the County's General Fund, other enterprise funds, and other funds. The principal, or redemption price, of and interest on the Series 2020 Senior Bonds are payable solely from the Trust Estate pledged for the payment thereof, and the inclusion of information relating to the General Fund, other enterprise funds, and other funds in the Comprehensive Annual Financial Report of the County does not create any implication that any of such other funds are available for payment of the Series 2020 Senior Bonds.

The audited financial statements prepared by the County each Fiscal Year are provided to the Trustee within 210 days after the end of each such year in accordance with the Indenture.

MISCELLANEOUS

The foregoing summaries or descriptions of provisions in the Indenture and Rate Ordinance, and all references to other materials not purporting to be quotations in full, are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is thereby made to the complete documents relating to such matters for further information. Copies of the Indenture and the Rate Ordinance are available from the office of the County Counsel.

Any statement made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith. No assurance can be given, however, that the facts will materialize as so opined or estimated.

This Official Statement has been duly authorized and approved by the County and duly executed and delivered on its behalf by the officials signing below.

COUNTY OF SACRAMENTO

By: /s/Britt Ferguson
Chief Fiscal Officer

By: /s/Cindy Nichol
Director of Airports

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APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION CONCERNING SACRAMENTO COUNTY

This Appendix contains certain historical information concerning Sacramento County and the surrounding region. All of the information relates to time periods prior to the onset of the COVID-19 Pandemic, and does not reflect the material adverse impacts the pandemic continues to have on the national and local economies.

Population

Sacramento County currently has seven incorporated cities: Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova and Sacramento, with 33% of the County's population living in the City of Sacramento.

Sacramento County Breakdown of Population/Percent Increase

Area	1970	1980	1990	2000	2010	2019
Cities:						
Citrus Heights	---	---	---	85,071	83,267	87,796
Elk Grove	---	---	---	---	152,925	174,775
Folsom	5,810	11,003	29,802	51,884	72,201	81,328
Galt	3,200	5,514	8,889	19,472	23,641	26,536
Isleton	909	914	833	828	804	844
Rancho Cordova	---	---	---	---	64,413	75,087
Sacramento	257,105	275,741	369,365	407,018	466,279	513,624
Unincorporated Area:	367,349	409,209	632,330	659,226	553,529	592,038
Total:	634,373	783,381	1,041,219	1,223,499	1,417,059	1,552,028
% Increase over prior period:		**23.49%**	**32.84%**	**17.50%**	**15.82%**	**9.52%**
State Population:	19,935,134	23,782,000	29,828,496	34,095,209	37,223,900	39,512,223
% Increase over prior period:		**19.30%**	**25.42%**	**14.30%**	**9.17%**	**6.15%**

Sources: U.S. Census Bureau: July 2019

Industry and Employment

Three major job categories comprised 76.9% of the Sacramento Metropolitan Statistical Area work force in 2019: services (42%), government (22.7%), and wholesale/retail trade (12.2%), based on seasonally unadjusted 2019 statistics, as summarized in the following table.

Sacramento Metropolitan Statistical Area Labor Market Survey
Calendar Years 2014 to 2019
(Amounts Expressed in Thousands)

Industry	2014	2015	2016	2017	2018	2019
Mining	0.4	0.4	0.4	0.4	0.5	0.5
Construction	45.6	50.3	55.0	58.7	63.6	68.4
Manufacturing-Nondurable goods	10.9	11.6	12.0	12.4	12.8	12.9
Manufacturing-Durable goods	24.5	24.7	24.2	23.3	23.3	23.6
Transp., Warehouse, Pub Utilities	23.6	24.6	26.0	26.7	29.1	32.3
Information	13.9	14.1	13.8	12.5	12.3	11.9
Wholesale Trade	24.1	24.4	25.5	26.5	28.5	28.7
Retail Trade	95.3	98.0	100.5	101.4	102.3	100.6
Finance, Insurance, Real Estate	62.4	64.7	66.3	67.6	70.7	69.9
Services	374.7	386.7	405.2	419.7	435.7	445.6
Government	222.8	232.0	234.7	235.2	238.0	241.3
Agriculture	9.2	9.4	9.7	9.8	9.1	8.8
Other	62.9	51.2	39.6	33.4	22.3	16.9
Total:	970.3	992.1	1,012.9	1,027.6	1,048.2	1,061.4

Source: State of California Employment Development Department (EDD) – Current Employment Statistics Annual Average for 2014-2018; EDD Current Employment Statistics for 2019

The following table shows unemployment rates for the Primary Airport Service Area, the State, and the U.S. As a result of the COVID-19 pandemic, unemployment has increased significantly throughout the nation, including in the County. For purposes of this Appendix A "Primary Airport Service Area means the Counties of El Dorado, Sutter, Placer, Yolo, Sacramento, Yuba and San Joaquin.

Unemployment Rate

Year	**Primary Airport Service Area**	**State**	**U.S.**
2000	4.7%	4.4%	3.9%
2001	6.1	6.1	5.7
2002	6.7	6.7	6.0
2003	6.5	6.2	5.7
2004	6.1	5.7	5.4
2005	5.4	4.9	4.9
2006	5.5	4.7	4.4
2007	6.9	5.9	5.0
2008	9.9	9.0	7.3
2009	13.2	11.8	9.9
2010	13.9	12.2	9.3
2011	12.4	11.2	8.5
2012	10.8	9.7	7.9
2013	8.9	8.3	6.7
2014	7.3	6.9	5.6
2015	6.3	5.7	5.0
2016	5.8	5.3	4.7
2017	4.7	4.4	4.1
2018	4.6	4.3	3.9
2019	3.9	3.9	3.5

Source: Bureau of Labor Statistics, U.S. Department of Labor

Major Employers

The table below shows the major private and public sector employers in the SMSA, with their type of business and number of full-time equivalent ("FTE") employees in 2019.

Company	Type of Business	No. of Full-Time Employees
State of California	Government	76,131[(1)]
UC Davis Health System	Health Care	12,674
Kaiser Permanente	Healthcare	11,404
Sacramento County	County Government	11,330
U.S. Government	Government	10,227
Sutter Health	Healthcare	8,809
Dignity Health	Healthcare	7,000
Elk Grove Unified School District	School District	6,381
Intel Corp.	Semiconductor Manufacturer	6,200
San Juan Unified School District	Public School District	5,289
Apple Inc.	Research and Development	5,000[(2)]
City of Sacramento	Municipal Government	4,773
Sacramento City Unified School District	Public School District	4,200
Health Net	Healthcare	3,300
Los Rios Community College District	Two-year Community College	3,281
Raley's	Grocery Store Chain	3,240
California State University Sacramento	University	3,118[(3)]
VSP Global	Vision Care	2,317
Sacramento Municipal Utility District	Municipal Electric Company	2,208
Folsom Cordova Unified School District	Public School District	2,178

(1) Includes 7,010 intermittent employees.
(2) Estimate based on previously published information.
(3) Includes 918 part-time employees.
Source: Sacramento Business Journal, 2020 Book of Lists

Taxable Sales Activity

Commercial activity contributes to the County's unincorporated area economy, and taxable sales come from a diverse variety of sources. The County's actual sales tax revenues began increasing in Fiscal Year 2011- 12 and is currently projected to come in higher than budgeted. In Fiscal Year 2018-19 sales tax revenues are projected to increase by approximately 3.6% compared to the Fiscal Year 2017-18 Adopted Budget. In addition, the County receives sales tax-based revenues from a share of statewide pools in the form of Proposition 172 half-cent sales tax dedicated to public protection activities, and Realignment revenues dedicated to social services programs. The following table shows taxable sales in the unincorporated area of the County for calendar years 2014 through 2018.

Sacramento County Unincorporated Area
Total Taxable Sales Calendar Years 2015 through 2019
(Amounts Expressed in Thousands)

Category	**2015**	**2016**	**2017**	**2018**	**2019**
Motor Vehicle & Parts Dealers	$1,353,853	$1,451,049	$1,487,616	$1,473,247	$1,530,547
Home Furnishings & Appliance Stores	269,060	251,775	224,960	231,950	190,020
Building Material & Garden Dealers	497,113	555,768	572,760	601,637	607,681
Food and Beverage Stores	358,716	355,714	376,778	399,294	394,852
Fuel and Service Stations	653,984	592,635	665,614	768,481	790,952
Clothing & Accessories	172,608	188,747	192,172	202,711	210,228
General Merchandise	627,588	667,791	697,706	667,672	647,978
Food Services & Drinking Places	655,323	698,494	733,321	770,073	813,715
Other Retail Group	402,804	392,343	371,023	372,403	383,492
Total Retail & Food Services	4,991,053	5,154,319	5,321,953	5,487,472	5,569,469
All Other Outlets	1,667,219	1,752,278	1,995,260	2,232,808	2,343,717
Total All Outlets:	**$6,658,273**	**$6,906,597**	**$7,317,214**	**$7,720,281**	**$7,913,187**

Source: California State Board of Equalization

Construction Activity

The total single and multi-family building permits issued in the County was 5,588 in 2019, an increase of 16% from the prior year, yet substantially less than the peak of 13,960 in 2003.

Sacramento County
Building Permit Activity
Calendar Years 2012 through 2019

	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Reported Units:								
Single Family	1,216	1,742	1,662	2,240	2,669	3,143	3,564	3,897
Multi-Family	315	139	81	749	669	1,669	1,089	1,691
Total:	**1,268**	**1,531**	**1,881**	**1,743**	**2,989**	**3,338**	**4,812**	**5,588**

Source: United States Census Bureau

Personal Income

The following table shows per capita income for the Airport service area, the State and the U.S.

Per Capita Personal Income

	Primary Airport Service Area	**State**	**U.S.**
2000	$29,625	$33,364	$30,657
2001	31,282	34,043	31,589
2002	31,685	34,214	31,832
2003	32,882	35,415	32,681
2004	34,321	37,369	34,251
2005	35,425	39,279	35,849
2006	37,248	42,088	38,114
2007	38,346	43,629	39,844
2008	39,044	43,890	40,904
2009	38,112	42,044	39,284
2010	38,789	43,634	40,546
2011	40,384	46,170	42,735
2012	41,736	48,798	44,599
2013	42,986	49,277	44,851
2014	45,288	52,324	47,058
2015	47,899	55,758	48,978
2016	49,184	57,739	49,870
2017	50,632	60,156	51,885
2018	52,936	63,557	54,446

Source: California Employment Development Department

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019

The finances of the Airport System are reported as an "enterprise fund" in the Comprehensive Annual Financial Report of the County. The Comprehensive Annual Financial Report also contains information with respect to the County's General Fund, other enterprise funds, and other funds. The principal, or redemption price, of and interest on the Series 2020 Senior Bonds are payable solely from the Trust Estate pledged for the payment thereof, and the inclusion of information relating to the General Fund, other enterprise funds, and other funds in the Comprehensive Annual Financial Report of the County does not create any implication that any of such other funds are available for payment of the Series 2020 Senior Bonds.

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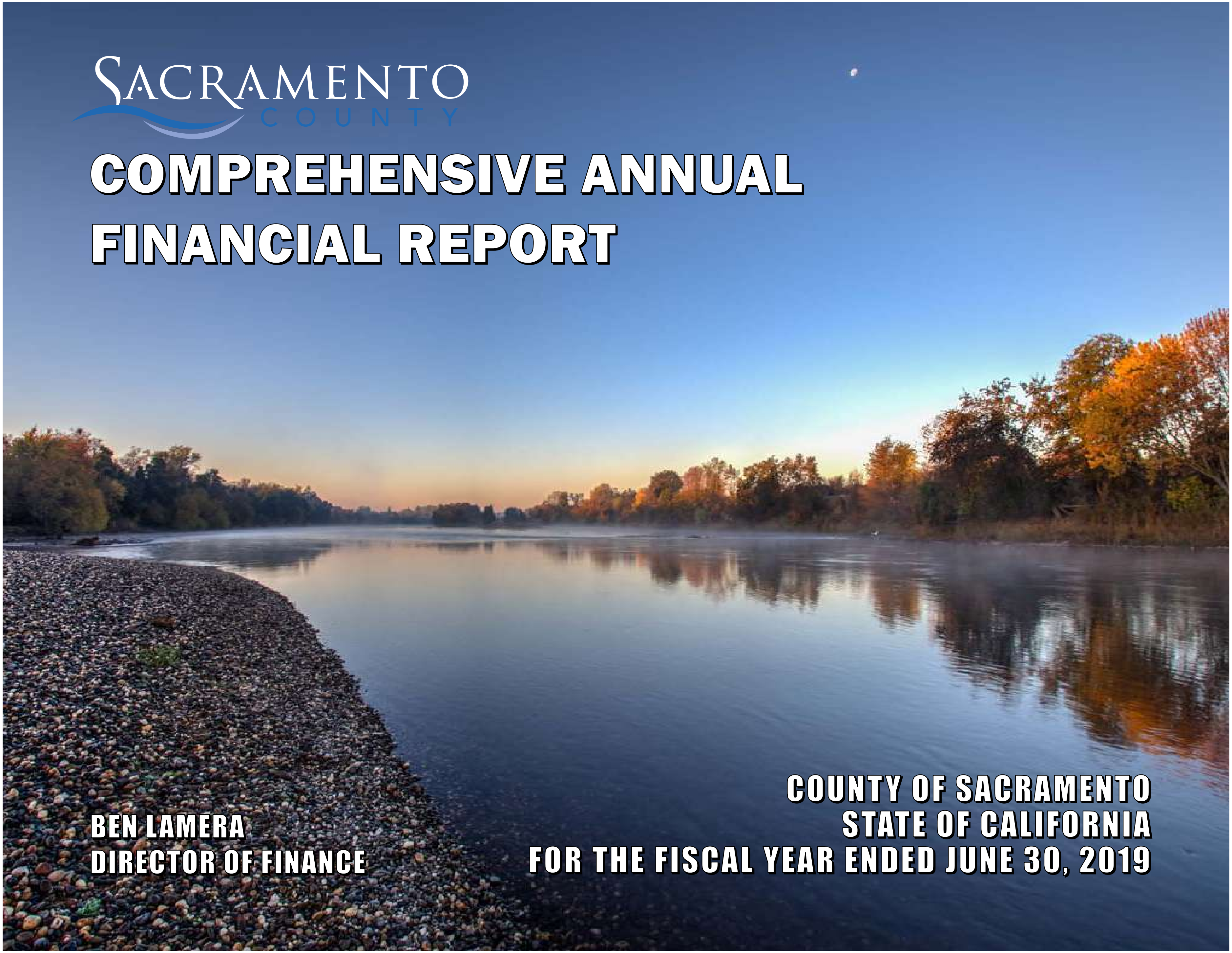

SACRAMENTO COUNTY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

BEN LAMERA
DIRECTOR OF FINANCE

COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Photo Credit:	**James Wright, Assistant Civil Engineer** **Department of Transportation**
	The cover image displays the American River Banks at Gristmill Recreation Area, which is part of Sacramento County Regional Parks. The photograph was taken early during the morning of November 10, 2014, and portrays the serene beauty of the American River in the fall.
Cover Design:	**Chris Baker, Geographic Information Systems Analyst II** **Department of Technology**

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2019

COUNTY OF SACRAMENTO
STATE OF CALIFORNIA

Ben Lamera, Director of Finance

COUNTY OF SACRAMENTO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTRODUCTORY SECTION

Department of Finance

Ben Lamera

Director

Administration
Auditor-Controller
Consolidated Utility Billing & Services
Investments
Tax Collection & Business Licensing
Treasury

County of Sacramento

November 27, 2019

To the Citizens of Sacramento County
Sacramento, California

Dear Citizens:

The Comprehensive Annual Financial Report (CAFR) of the County of Sacramento (County) for the fiscal year ended June 30, 2019, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and present fairly the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund and the aggregate remaining fund information and related budgetary schedules for the General Fund and other funds, of the County, as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The CAFR is presented in four sections: introductory, financial, statistical, and bond disclosures. The introductory section includes this transmittal letter, a copy of the Fiscal Year Ended June 30, 2018 Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association of the United States and Canada, the County's organizational chart, and a list of public officials. The financial section includes the independent auditor's report on the basic financial statements, the Management's Discussion and Analysis (MD&A) of the County's overall changes in financial position, the audited basic financial statements, note disclosures, and combining and non-major fund financial statements to provide readers with a comprehensive understanding of the County's financial activities of the past fiscal year. This letter is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A, which is unaudited, can be found on pages 5 through 21 of this report. The statistical section, also unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

PROFILE OF SACRAMENTO COUNTY

Sacramento County was incorporated in 1850 as one of the original 27 counties of the State of California. The County's largest city, the City of Sacramento, is the seat of government for the State of California and also serves as the County seat. Sacramento became the State Capital in 1854.

The County encompasses approximately 994 square miles in the middle of the 400-mile long Central Valley, which is California's prime agricultural region. The County is bordered by Contra Costa and San Joaquin Counties on the south, Amador and El Dorado Counties on the east, Placer and Sutter

Counties on the north, and Yolo and Solano Counties on the west. The County extends from the low delta lands between the Sacramento and San Joaquin Rivers north to about ten miles beyond the State Capitol and east to the foothills of the Sierra Nevada Mountains. The southernmost portion of Sacramento County has direct access to the San Francisco Bay.

The geographic boundaries of the County include seven incorporated cities: Sacramento, Folsom, Galt, Isleton, Citrus Heights, Elk Grove and Rancho Cordova. Each of these cities contributes a rich and unique dimension to the Sacramento County region.

The County has a charter form of government. It is governed by a five-member Board of Supervisors, who are elected on a non-partisan basis to serve four-year terms. Each is elected from one of the five supervisorial districts of the County. Supervisors from District 1, District 2, and District 5 are elected in gubernatorial election years (2022, 2026, etc.), while supervisors from District 3 and District 4 are elected in presidential election years (2020, 2024, etc.). District boundaries are adjusted after every federal census to equalize district population.

Other elected officials include the Assessor, District Attorney and Sheriff. A County Executive appointed by the Board of Supervisors runs the day-to-day business of the County.

The County provides a full range of services including public protection, construction and maintenance of all public facilities, waste management, water, parks maintenance and operations, health and human services, human assistance, child, family and adult services, planning, tax collection, elections, airports and many others. Supporting the delivery of County-wide services are several departments and agencies. The financial reporting entity of the County includes all the funds of the primary government (i.e., Sacramento County as legally defined), as well as all of its component units, if applicable. Component units are legally separate entities for which the primary government is financially accountable.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, certain districts and agencies are accounted for in the following funds: Special Revenue, Debt Service, Capital Projects, Proprietary and Agency and Trust Fund Types are reported as part of the primary government.

ECONOMIC CONDITION AND OUTLOOK

The national economy grew at a solid pace in 2018, with Gross Domestic Product (GDP) increasing by 2.9 percent for the year. GDP growth in 2018 was the strongest since 2015 and significantly better than the 2.2 percent logged for 2017. GDP grew at an annualized rate of 3.2 percent in the first quarter of 2019. This was a higher rate than most economists were projecting and the best start to a year since 2015. Notwithstanding the strong first quarter numbers, most forecasts project that the rate of growth will be moderate over the year and GDP growth in 2019 and 2020 will be closer to the post-recession average of 2.1 percent. For example, the most recent report from the Federal Reserve Open Market Committee reflects a median GDP growth forecast of 2.1 percent in 2019 and 1.9 percent in 2018 and a report from Beacon Economics projects GDP growth of 2.2 percent in FY 2019-20.

The local economy continues its improvement with gross assessed valuations expected to increase in FY 2019-20 by approximately 6.5 percent, following a 6.8 percent increase in FY 2018-19. These increases follow four consecutive years of increases giving the County the highest total gross assessed valuations in the County's history. The Sacramento Metropolitan Statistical Area (including Sacramento, Yolo, El Dorado and Placer counties) unemployment rate (not seasonally adjusted) slightly increased to 4.0 percent in July 2019 from 3.9 percent in July 2018.

California counties are closely linked to the financial condition of the State of California (the "State"), and are responsible for delivering health and welfare services on behalf of the State. The State has experienced its own fiscal stress, but it has seen improvements in revenue growth over the last four years, in part due to the improving economy and in part due to a voter approved long-term temporary tax increase. In addition to dealing with its local issues, the County must deal with the impact of adverse State and Federal budget actions, as State and Federal revenues make up approximately 69 percent of the County's General Fund budgeted revenues. However, when State or Federal funding has been cut back, the County generally has reduced programs in proportion to the funding received and not utilized County General Fund revenues to backfill the reductions in State or Federal funding. With limited exceptions, the County plans to continue to reduce programs if there are additional State or Federal funding reductions.

Housing Market

The U.S. Department of Commerce reported that housing starts in July 2019 fell 4 percent from June 2019, declining in the past three months due to the result of persistent weakness in the single-family segment of the market. According to the Department of Commerce, housing starts in July 2019 were 0.6 percent higher than the number of housing starts in July 2018. Permits for new construction, a sign of future demand, have increased 8.4 percent from June to July 2019 and are running 1.5 percent above the July 2018 level.

Despite recent projections of a slow-down by economists and housing industry analysts, home prices nationally are continuing to increase. A report from Zillow showed that in June 2019 the median home price increased by 5.2 percent over the last year and Zillow projects the median price will increase by 2.2 percent over the next year.

Home prices in California are also continuing to rise, though at a slower pace. According to a recent report from Zillow, the median home price in California was $547,500 as of June 2019, a 1.3 percent increase over the past year. Zillow projects that California home prices will decrease 0.1 percent over the coming year.

Residential property represents the largest component of the County's assessed value, and changes in assessed value have a direct impact on changes in property tax revenue, which is the largest component of the County's discretionary revenue.

In FY 2018-19, the County's property tax revenue increased by 7.0 percent, following an increase of 5.8 percent in FY 2017-18. This is the sixth annual consecutive increase since FY 2012-13, for a total increase of 41.6 percent. The County is expecting a growth of 6.5 percent in FY 2019-20. The recent growth in assessed values is partially due to the Assessor continuing to move a number of parcels out of Proposition 8 "Decline in Value" status, a continued increase in the number of new home sales with higher values, and property assessed values increasing countywide.

Labor Market

The national unemployment rate fell to 3.8 percent in June 2019, down from 4.2 percent from June 2018. Economists are now projecting that the unemployment rate will stabilize at that level over the next few years. For example, a recent Federal Reserve Open Market Committee report reflects a median unemployment rate forecast of 3.7 percent in 2019 and 3.8 percent in 2020.

The number of jobs added each month has been relatively strong, with nonfarm payroll increasing by 263,000 in April 2019, on top of an average monthly gain of 213,000 over the prior 12 months. In addition, we are starting to see evidence of wage growth – though the rate is still less than robust. In April 2019 average hourly earnings increased by 3.2 percent, which is higher than the rate of inflation. On the other hand, despite significant job growth and the decline in unemployment, the labor participation rate has not changed over the last year, the number of persons employed part-time for economic reasons has remained the same and there has been no change in the number of "discouraged" workers (persons not looking for work because they believe no jobs are available for them).

LONG-TERM FINANCIAL PLANNING

Recognizing that expenditure and revenue decisions made in one year can have a significant effect on the resources that will be available to General Fund programs in future years, but also recognizing the difficulties in predicting future year economic and fiscal conditions, County staff prepares a

General Fund Five-Year Sensitivity Analysis that estimates what the impact could be on the General Fund's fiscal condition under three scenarios:

- A *Baseline Scenario* that assumes discretionary revenue and reimbursements will grow at an annual average rate of 5 percent over the projection period and that Net County Cost will grow by 4.5 percent in FY 2020-21 (the last three-year phase-in of the impact the County Retirement System's discount rate reduction) and then at a moderate average annual rate of 3 percent after adjusting for known or likely changes in Net County Cost. This scenario also assumes that each year's beginning available balance will be 8 percent of the prior year's budgeted Net County Cost. Based on recent economic trends and fiscal conditions, we believe that this is a reasonable scenario to use for fiscal planning purposes.

- A *More Conservative Scenario* that shows what the impact might be if discretionary revenue and reimbursements grew at a slower rate or Net County Cost increased at a higher rate than the assumptions used in the Baseline Scenario (the impact of slower discretionary revenue growth is essentially the same as the impact of a greater increase in Net County Cost). This scenario assumes that both discretionary revenue and reimbursements and Net County Cost will grow at an average annual rate of 4 percent. This scenario also assumes that the Foster Care Title IV-E Waiver is not renewed, effective with FY 2020-21, and that the General Fund backfills the $29 million reduction in revenue and that each year's beginning available balance will be 6 percent of the prior year's budgeted Net County Cost. However, this scenario does not assume additional costs associated with the Schnieder/Hardesty lawsuit in appeals with the U.S. Court of Appeals for the Ninth Circuit.

- A *More Optimistic Scenario* that shows what the impact might be if discretionary revenue grew at a faster rate and/or Net County Cost grew at a lower rate than the assumptions used in the Baseline Scenario. This scenario assumes that total discretionary revenue and reimbursements will grow at an average annual rate of 6 percent, Net County Cost will grow at 4.5 percent in FY 2020-21 and an average annual rate of 2 percent thereafter, and that the beginning available balance will be 10 percent of the prior year's budgeted Net County Cost.

In addition to a General Fund Sensitivity Analysis, each year County staff prepares a multi-year Capital Improvement Plan (CIP), which includes a Technology Improvement Plan, for consideration by the Board of Supervisors. The most recent CIP was initially approved by the Board in June of 2019 and identified capital and major technology system needs through FY 2023-24.

RELEVANT FINANCIAL POLICIES

The Board of Supervisors has adopted two policies that provide key budget guidance:

General Reserves Policy

General Reserves Level Goal:

The County's goal is to have General Reserves equal to 10 percent of discretionary revenue and reimbursements. In accordance with State law, except in cases of a legally declared emergency, General Reserves may only be cancelled or decreased at the time of budget adoption. In addition to emergencies, in times of fiscal stress these funds can be used to help balance the General Fund budget as part of a plan to achieve structural balance. Any plan to achieve structural balance should include a provision to replenish the General Reserves to the 10 percent level.

General Reserves Funding Policies:

- Any existing discretionary reserves no longer needed for the stated purpose will be reclassified as General Reserves.

- In any fiscal year, the Budget Recommended for Adoption (September Budget Hearings), will include an increase in General Reserves in an amount equal to 10 percent of the General Fund's actual "Available" Fund Balance carry-forward (as determined in July following the close of the County's books), until the General Reserve level reaches 10 percent of discretionary revenues and reimbursements.

County Budget Priorities:
The following are the Board Priorities in order of priority:

- Mandated Countywide Obligations;
- Mandated Municipal Obligations;
- Financial Obligations (for example debt service);
- Budget Priorities:
    1. Discretionary Law Enforcement
    2. Safety Net
    3. Quality of Life
    4. General Government
    5. Prevention

MAJOR INITIATIVES
Sacramento County is undertaking several major initiatives in FY 2019-20:

Homeless Services: The County continues its commitment to providing crisis response services, including emergency shelters and permanent housing opportunities to persons experiencing homelessness. In FY 2018-19, the Board allocated $44 million in Mental Health Services Act (MHSA) funding through the County Department of Health Services (DHS) and authorized the County Department of Human Assistance (DHA) to accept over $11 million in State Funding, through Sacramento Steps Forward (SSF), for the Homeless Emergency Aid Program (HEAP) and the California Emergency Solutions and Housing (CESH) funding. The MHSA allocation provides expanded services over a three-year period for individuals with serious mental illness and/or co-occurring substance use disorders who are homeless or at risk of becoming homeless. The HEAP and CESH funding will allow DHA to expand over the next two years upon the County homeless initiatives by expanding the Emergency Family Shelters to serve an additional seven families per night; expand the Full Service Rehousing Shelter (FSRS) by an additional 40 beds per night; and create a Flexible Housing Pool (FHP) that is modeled after the Flexible Supportive Rehousing Program (FSRP) to serve approximately 600 persons with intensive case management and property related services towards rehousing. The expansion of these programs commenced at the end of FY 2018-19 and is expected to be fully implemented in FY 2019-20.

Corrections: In FY 2019-20 $21.7 million ($19.7 million Net County Cost; $2 million Community Corrections Realignment) have been allocated to make improvements to the County's jails as part of continuing efforts to resolve conditions of confinement concerns identified in a recent lawsuit filed against the County, including $8 million for planning and design costs for new construction and renovation of jail facilities.

Pre-Trial Assessment and Monitoring Pilot: The County has allocated $1.2 million 2011 Realignment Local Innovation funds to add seven positions in Probation to establish a Pre-Trial Assessment and Monitoring Pilot Program. The goal of the program is to identify detainees in the County's jails who can be safely monitored in the community pending trial and release them under conditions that will support their future appearance.

Drug Medi-Cal Waiver: Implementation of the Drug Medi-Cal Organized Delivery System (DMC-ODS) which provides for a service system with expanded access to high-quality care for Medi-Cal enrollees with substance use disorders (SUD). The goal of the DMC-ODS is to demonstrate how organized SUD care improves beneficiary health outcomes, while decreasing system-wide health care costs. A full continuum of SUD benefits modeled after the American Society of Addiction Medicine (ASAM) criteria. This approach is expected to provide eligible enrollees with access to the care and services needed for a sustainable and successful recovery. Additionally, this system will have increased program oversight, data collection, reporting, compliance, quality assurance, and utilization management. Services will include outpatient, intensive outpatient, multiple levels of residential treatment, increased narcotic treatment services, withdrawal management, recovery services, physician consultation, and case management.

DEPARTMENT FOCUS

Each year, we select activities or functions of the County to highlight particular successes or accomplishments. For FY 2018-19, we have selected the following activities:

Human Assistance (DHA)

- Telephonic Signature was implemented in the Medi-Cal-Fresh and CalWORKs Service Centers. Telephonic Signature allows DHA customers to virtually sign select documents over the phone, reducing mail delays and processing time.
- Homeless Services:
  - The Winter Sanctuary Program (WSP) continues its staging operation at the 1400 North A Street facility with First Step Communities as the provider. In addition to the standard WSP services during the winter months, DHA staff, in collaboration with the City of Sacramento, has extended the use of the North A facility with First Step Communities to provide additional rehousing services to persons experiencing homelessness in the immediate area, including the River District.
  - In December 2018, the Board authorized DHA to accept $10.7 million in Homeless Emergency Aid Program (HEAP) and $0.5 million in California Emergency Solutions and Housing (CESH) funding through a contract with Sacramento Steps Forward. The additional funding will allow DHA to expand capacity for the Emergency Family Shelters, the Full Service Rehousing Shelters (scattered sites) and the Flexible Supportive Rehousing Program.
  - The Sacramento Homeless Information Network Ecosystem (SHINE) continued its expansion and now includes access to three (3) out of the four (4) Homeless Initiative providers. This system provides case management tools, data reporting, and availability of all pertinent information related to the initiatives in one location.

Health Services
- Primary Care - Implemented increased enrollment cap for Healthy Partners (healthcare program for undocumented Sacramento County residents).
- Public Health - Responded to Shasta County and Butte County for two separate wild fires providing Public Health Nursing support to local shelters in their respective areas.

Sheriff
- The Sheriff's Office, in partnership with the Sacramento County Department of Health Services, was successful in obtaining funding for an additional Mental Health Clinician. The clinician, partnered with a Deputy Sheriff, was the second Mobile Crisis Response Team (MCRT) deployed in the Sheriff's North Division. The MCRT provides an immediate law enforcement/clinical response to calls for service involving individuals who may be suffering from mental health crises.
- The Strategies in Policing Innovations (SPI) grant funded on-call Deputy Sheriffs who work directly with the County's homeless population to find long-term options which help get people the resources necessary to get off the streets. In partnership with the Sheriff's Homeless Outreach Team, this has been an incredibly successful program. The grant and its funds will expire at the end of FY 2018-19. The Sheriff's Office will be researching other funding options to keep the program going.

Voter Registration and Elections
- Completed the implementation of the Voter's Choice Act (VCA), with comprehensive reports to the Secretary of State.

Debt Management
- In November 2018, Certificates of Participation (COP) Bonds from Series 2003 COP – Public Facilities Projects, 2006 COP Public Facilities Projects, and 2007 COP Animal Care Facility/Youth Detention Facility – 120 Bed Expansion were refunded by the COP Series 2018A and 2018B Bonds. A cash flow savings of $27.4 million was achieved.

FINANCIAL INFORMATION

County management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) choices between these two concepts often require estimates and judgments by management.

The County's accounting records for governmental funds are maintained on the modified accrual basis of accounting. This essentially involves the recording of revenues when they become measurable and available and the recording of expenditures when the goods and services are received and the related liability incurred. Accounting records for the County's Proprietary Funds, Agency Funds, and Trust Funds are maintained on the accrual basis of accounting.

Single Audit
As a recipient of Federal and State financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal controls are subject to periodic evaluation by management and the Department of Finance's Auditor-Controller Division's internal audit staff. The FY 2018-19 Single Audit will be issued under separate cover and will be available by contacting the Department of Finance, Auditor-Controller Division, after March 31, 2020.

Budgeting Controls
In addition to accounting controls, the County maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Supervisors. The County prepares and adopts a budget for each fiscal year in accordance with the provisions of Sections 29000 through 29144 of the Government Code and other statutory provisions. All County departments are required to submit their annual budget requests for the ensuing year. The County Executive Office reviews each request and a budget is presented to the Board of Supervisors. This budget reflects, as nearly as possible, the estimated revenues and expenditures for the upcoming year.

The budget is made available for public inspection through a public notice. On the dates stated in the notice, the Board of Supervisors conducts public hearings on the budget and at the conclusion of the hearings makes a final determination thereon. The budget, which includes the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Proprietary Funds, is adopted no later than August 30. The Board may, by resolution, extend on a permanent basis or for a limited time, the date from August 30 to October 2. Because the final budget must be balanced, any shortfalls in revenue require an equal reduction in anticipated expenditures. The following funds are not subject to the California Budget Act, thus do not have a legally adopted budget: 1) Inmate Walfare Special Revenue Fund; 2) Tobacco Securitization Authority of Northern California Special Revenue and Debt Service Funds; and 3) Sacramento County Public Financing Authority Debt Service Fund.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the object level of all budgetary units except for capital assets, which are controlled at the sub-object level. The expenditure portion of the budget is enacted into law through the passage of an appropriation resolution. This resolution constitutes maximum spending authorization for the fiscal year. It cannot be exceeded except by amendment of the budget by the Board of Supervisors. During FY 2018-19, amendments were made to the final adopted budget. The budget data reflected in this comprehensive annual financial report includes the effect of all approved budget amendments.

Cash Management
Cash temporarily idle during the year was invested in money market mutual funds, negotiable certificates of deposit, time certificates, commercial paper, municipal notes, and U.S. Treasury and Agency investments. The average yield on investments during FY 2018-19 was 2.24 percent. The yield for a one-year Constant Maturity U.S. Treasury Note during the same period was 1.92 percent.

The County Pooled Investment Fund Policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. All collateral on deposits was held either by the County, its agents, or a financial institution's trust department in the County's name.

Risk Management
The County self-insures for property damage, liability, workers' compensation, and unemployment claims. Self-insurance transactions are accounted for in Internal Service Funds. It is the County's policy to fund current self-insurance liabilities for Governmental Funds by making provisions in the budget of the succeeding year. Proprietary fund premium charges are expensed in the year incurred.

OTHER INFORMATION

Independent Audit - Section 25250 of the Government Code requires an annual audit by independent certified public accountants. The firm of Macias Gini & O'Connell LLP was selected by the County to meet this requirement. The independent auditor's report on the basic financial statements is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to the County for its comprehensive annual financial reports for each of the last thirty fiscal years. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which must conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate of Achievement.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Finance, and the cooperation and assistance of all County departments. We would like to commend the Board of Supervisors for its interest, support, and leadership in planning and conducting the financial operations of the County in a responsive and progressive manner.

Respectfully submitted,

Ben Lamera
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

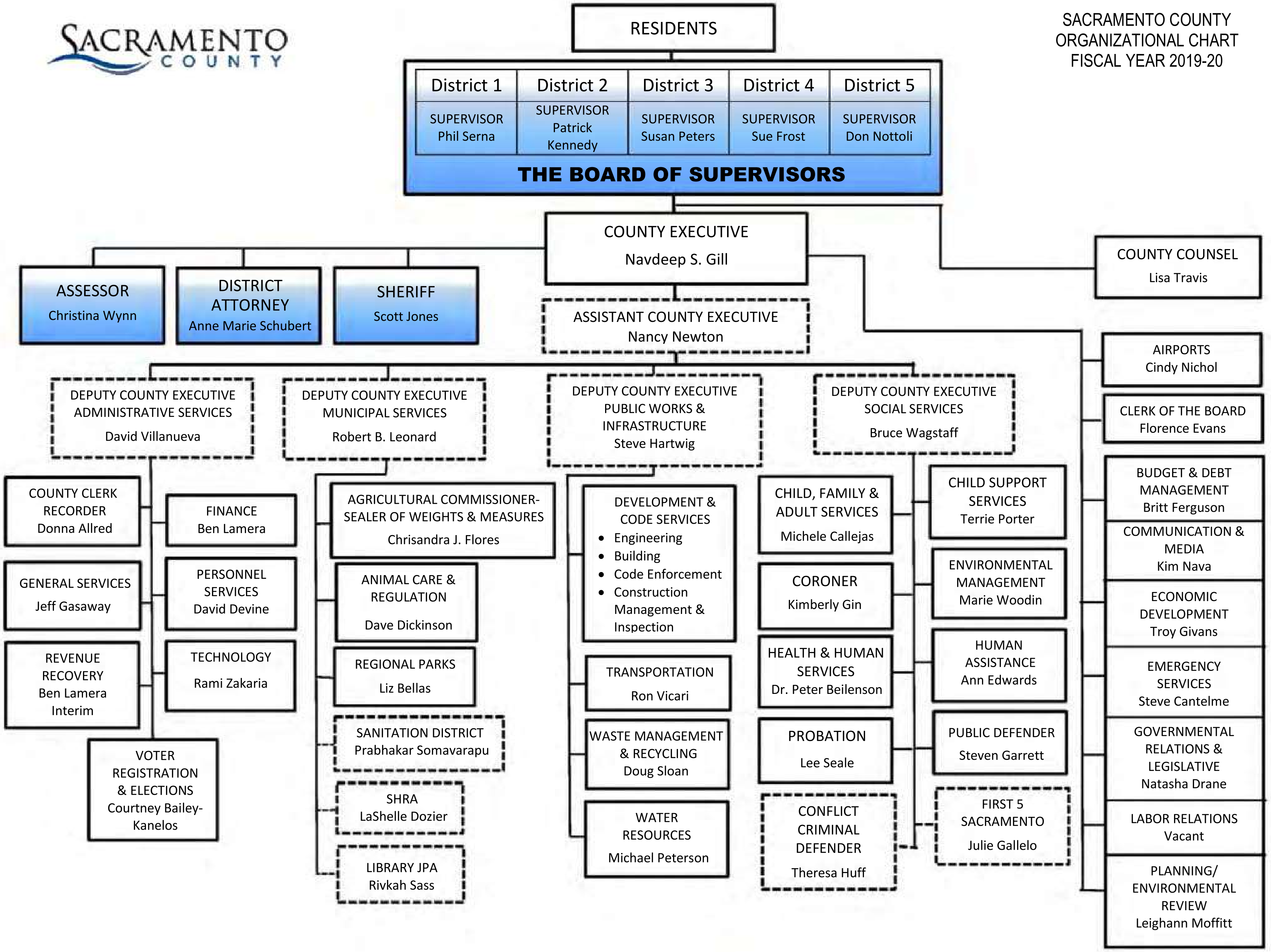
County of Sacramento
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill
Executive Director/CEO

SACRAMENTO COUNTY
ORGANIZATIONAL CHART
FISCAL YEAR 2019-20



LEGEND —— INDICATES LINE OF DIRECT AUTHOR ITY - - - INDICATES COORDINATIVE RELATIONSHIP INDICATES ELECTED OFFICIAL INDICATES "OFFICE OF…"

COUNTY OF SACRAMENTO
LIST OF PUBLIC OFFICIALS
JUNE 30, 2019

ELECTED:

Board of Supervisors:

Phil Serna	District 1
Patrick Kennedy	District 2
Susan Peters	District 3
Sue Frost	District 4
Don Nottoli	District 5

Department Heads:

Christina Wynn	Assessor
Anne Marie Schubert	District Attorney
Scott Jones	Sheriff

APPOINTED:

Navdeep S. Gill	County Executive
Nancy Newton	Assistant County Executive
David Villanueva	Deputy County Executive
Ben Lamera	Director of Finance

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE

COUNTY OF SACRAMENTO

For the Fiscal Year Ended June 30, 2019

ACKNOWLEDGEMENT

Prepared by the County of Sacramento
Department of Finance

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Jun Nguyen, Sr. Accountant
Jane Martinez, Sr. Accountant
Alex Iliescu, Sr. Accountant

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

MGO Certified Public Accountants

Independent Auditor's Report

Honorable Board of Supervisors
County of Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Sacramento, California (County), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Macias Gini & O'Connell LLP
3000 S Street, Suite 300
Sacramento, CA 95816

www.mgocpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the Unites States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the retirement plan schedule of proportionate share of the net pension liability, the retirement plan schedule of contributions, and the other postemployment benefits (OPEB) schedule of changes in the total OPEB liability and related ratios as listed in the table on contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, statistical section, and bond disclosures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, statistical section, and bond disclosures have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
November 27, 2019

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts expressed in thousands unless otherwise noted)

This section of the County of Sacramento's (County) comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources at the close of the 2018-19 fiscal year by $924,322 (net position). Of this amount, $810,147 is restricted for specific purposes (restricted net position), and $2,416,387 is the County's net investment in capital assets. The County's total net position increased by $24,123 during the fiscal year.

- As of June 30, 2019, the County governmental funds reported combined fund balances of $773,168 for a decrease of $17,454, in comparison with the prior year. Total amounts available for spending include restricted and assigned fund balances, which totaled $754,849, (97.6 percent), of the ending fund balance. Of this amount, $679,546 is restricted by law, enabling legislation, or externally imposed requirements. Total fund balance for the General Fund decreased $13,067 to $354,691, which equates to 15.3 percent of total General Fund expenditures for the year.

- At the end of the fiscal year, assigned fund balance for the General Fund was a positive $75,303 or 3.2 percent of total General Fund expenditures.

- The County's investment in capital assets decreased by $9,724 or 0.3 percent in comparison with June 30, 2018 balances.

- The County's total long-term obligations had a net decrease of $123,669 in comparison with June 30, 2018 balances. This net decrease was comprised of a gross decrease of $360,182 and a gross increase of $236,513 in long-term obligation activities. The decrease resulted primarily from scheduled principal retirements of revenue bonds, certificates of participation, Teeter notes, pension obligation bonds and compensated absences. The increase resulted primarily from the issuance of certificates of participation, issuance of a Teeter, and compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all County assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture. The business-type activities of the County include the Department of Airports (Airports), Solid Waste, Water Agency, Parking Enterprise and County Transit.

Blended component units are included in the County's basic financial statements and consist of legally separate entities for which the County is financially accountable and/or that have substantially the same board as the County or provide services entirely to the County. Examples are County Service Area Number One; Water Agency; Solid Waste Authority; Sunrise, Carmichael, and Mission Oaks Recreation and Park Districts. The Tobacco Securitization Authority of Northern California (Authority) is a public entity legally separate and apart from the County, and is considered a blended component unit of the County due to the operational relationship between the Authority and the County. The debts and liabilities of the Authority belong solely to it, and the County is in no way responsible for those liabilities. The Sacramento County Public Financing Authority (PFA) is a public entity created by a Joint Exercise of Powers Agreement effective as of November 2003 between Sacramento County and the Sacramento Housing and Redevelopment Agency (Agency). The PFA is a public entity legally separate and apart from the County, and is considered a blended component unit of the County due to the operational relationship between the PFA and the County. The debts and liabilities of the Authority belong solely to it, and neither the County nor the Agency are in any way responsible for those liabilities.

Sacramento County First 5 Commission is reported as a discretely presented component unit. Although the County Board of Supervisors has no control over the revenues, budgets, staff or funding decisions made by the Commission, the appointed Commission members serve at the will of the Board members who appoint them.

The government-wide financial statements begin on page 23 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: *governmental funds, proprietary funds and fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 44 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental funds financial statements can be found on pages 26 - 29 of this report. The general fund budgetary statement is found on pages 30 - 31 of this report.

Proprietary funds are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Airports, Solid Waste, Water Agency, Parking Enterprise, and County Transit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its liability/property self-insurance; telecommunication and information technology support; worker's compensation self-insurance; self-insurance for unemployment claims; regional radio communications; and centralized services provided by the Department of General Services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Airports, Solid Waste and Water Agency operations are considered to be major enterprise funds of the County. The County's six internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The proprietary funds financial statements can be found on pages 32 - 38 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds, except for agency funds, which have more limited accounting and financial statements because of their purely custodial nature. Fiduciary funds report the Agency Funds, Investment Trust Funds, including the Treasurer's Pool and Non-pooled Investments, and Private-Purpose Trust Funds.

The fiduciary fund financial statements can be found on pages 39 - 40 of this report.

Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 41 - 116 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for nonmajor governmental, enterprise, internal service, agency, and trust funds, and can be found on pages 121 - 201 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $924,322 at the close of the most recent fiscal year (see Condensed Statement of Net Position and analysis on page 9).

In FY 2018-19, approximately $(17,454) of the change in the government-wide financial statements related to changes in the fund balances of the governmental funds addressed in the Financial Analysis of the County's Funds beginning on page 12.

The other significant changes in the government-wide financial statements involved the pension related balances. The County is allocated a proportion of the Sacramento County Employees' Retirement System (SCERS) pension plan net pension liability. The Net Pension Liability (NPL) is equal to the difference between the total pension liability and the pension plan's fiduciary net position. The pension plan's fiduciary net position is equal to the fair value of plan assets. The County's proportionate share of the SCERS NPL decreased by $116,327 in FY 2018-19 to $1,733,444, primarily due to an increase in the fair value of plan assets, which increased the plan's fiduciary net position. Deferred outflows and inflows of resources related to pensions represent a net amount attributable to the various components that impact pension changes, and can include investment changes, amortization, changes due to actuarial assumptions, differences between expected and actual experience, and also contributions to the plan made subsequent to the liability's measurement date. Deferred outflows of resources related to pensions decreased by $167,561 in FY 2018-19 to $663,321. Deferred inflows of resources related to pensions increased by $76,508 in FY 2018-19 to $171,096. The net change for the pension related items was negative $127,742.

Governmental activities decreased the County's net position by $47,699, from ($437,046) to ($484,745) in the current fiscal year. The decrease in net position resulted primarily due to the County's increase in net pension related items totaling $124,169, net increase in total OPEB related items totaling $9,036 and a net decrease in capital assets totaling $20,573. This was offset by the County's reduction in long-term liabilities (excluding pension and OPEB) totaling $114,357.

Business-type activities increased the County's net position by $71,822 to $1,409,067 in the current fiscal year. See page 16 for additional comments on changes to proprietary funds net position.

Condensed Statement of Net Position
June 30, 2019
(amount expressed in thousands)

Primary Government	Governmental Activities 2019	Governmental Activities 2018	Business-type Activities 2019	Business-type Activities 2018	Total 2019	Total 2018
Assets:						
Current and other assets	$ 1,315,970	1,279,556	624,405	557,152	1,940,375	1,836,708
Capital assets, net of depreciation	1,704,261	1,724,834	2,227,900	2,217,051	3,932,161	3,941,885
Total assets	3,020,231	3,004,390	2,852,305	2,774,203	5,872,536	5,778,593
Deferred outflows of resources:						
Accumulated decrease in fair value of SWAP agreement	80,729	65,076	63,181	45,251	143,910	110,327
Deferred amounts on refundings	27,952	32,019	35,927	38,418	63,879	70,437
Deferred outflows - pensions	636,352	796,350	26,969	34,532	663,321	830,882
Deferred outflows - OPEB	11,496	5,741	379	328	11,875	6,069
Total deferred outflows of resources	756,529	899,186	126,456	118,529	882,985	1,017,715
Liabilities:						
Current and other liabilities	707,525	651,247	192,341	146,631	899,866	797,878
Long-term debt obligations	3,372,556	3,589,270	1,369,074	1,402,778	4,741,630	4,992,048
Total liabilities	4,080,081	4,240,517	1,561,415	1,549,409	5,641,496	5,789,926
Deferred inflows of resources:						
Deferred amounts on refundings			161	193	161	193
Deferred inflows amount related to pension	163,719	89,216	7,377	5,372	171,096	94,588
Deferred inflows - OPEB	17,705	10,889	741	513	18,446	11,402
Total deferred inflows of resources	181,424	100,105	8,279	6,078	189,703	106,183
Net position:						
Net investment in capital assets	1,415,121	1,416,649	1,001,266	957,979	2,416,387	2,374,628
Restricted	679,546	677,982	130,601	106,816	810,147	784,798
Unrestricted	(2,579,412)	(2,531,677)	277,200	272,450	(2,302,212)	(2,259,227)
Total net position (deficit)	$ (484,745)	(437,046)	1,409,067	1,337,245	924,322	900,199

Net Position. The largest portion of the County's net position totaling $2,416,387 (261.4 percent), reflects its net investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment plus deferred outflows of resources less deferred inflows of resources related to debt, pension, and OPEB, net of depreciation and less any related debt used to acquire those assets that is still outstanding). The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The $41,759 (1.8 percent), increase in net position from the net investment in capital assets represents capital acquisitions and deletions, less current year depreciation, and the addition and/or retirement of related long-term debt.

Capital asset additions of $255,959 were related primarily to infrastructure (roads & road improvements), building projects, and additions to equipment. The County recorded depreciation of $192,162 against its assets in the current fiscal year.

Another significant portion of the County's net position totaling $810,147 (87.6 percent) is restricted and represents resources that are subject to external restrictions on how they may be used. The major categories of restricted net position are bond reserves $53,816 (6.6 percent), debt service $102,383 (12.6 percent), capital projects $97,557 (12.0 percent), health and sanitation programs $244,992 (30.2 percent), public protection $73,086 (9.0 percent), public assistance $38,742 (4.8 percent), passenger facility charges $37,791 (4.7 percent), transportation programs $60,982 (7.5 percent) and economic development programs $57,691 (7.1 percent). The County's restricted net position increased by $25,349 from the prior year restricted net position amount of $784,798. The increase is due primarily to the combination of increases for health and sanitation of $13,344, transportation of $16,176, and passenger facility charges of $10,082. The increases were offset by decreases for economic development of $22,289 and debt service of $7,468.

The remaining balance of total net position, a negative $2,302,212 is unrestricted. Unrestricted net position decreased by $42,985 from the prior year. The decrease is primarily the result of the aforementioned changes in the County's pension and OPEB related items.

The County's total net position increased by $24,123 during the current fiscal year, which results in an increase of 2.6 percent of total net position from prior year.

Revenues. When compared to the prior year, government-wide revenues increased approximately $115,738 (3.6 percent). Program revenues increased by $26,285 (1.2 percent) mostly due to an increase in charges for services of $15,789 (2.1 percent), comprised primarily from business-type activities, and increase in operating grants and contributions of $13,350 (0.9 percent), comprised primarily in governmental activities. As an arm of the State government, a significant portion of program revenues are tied to mandated programs such as public assistance and health and sanitation programs, as well as economic development and capital projects. Total program revenues represent 67.6 percent of the County's funding.

General revenues increased by $89,453 (9.1 percent). These revenues included general taxes which provide the Board of Supervisors with the most discretionary spending ability. Programs such as public assistance, public protection, and health and sanitation consume most of these resources. The increase in general revenues is due primarily to increases in property taxes revenue of $34,376 (7.0 percent), investment earnings of $28,241 (168.5 percent) and grants and contributions not restricted to specific programs revenue $12,392 (4.9 percent). Total general revenues represent 32.4 percent of the County's funding.

Expenses. As a service delivery entity, the County's major cost component is salaries and benefits. The average full-time equivalent (FTE) count for the County (including business-type activities) had a net increase of 113 FTEs from 12,332 in the prior year to 12,445 at June 30, 2019. When compared to the prior year, government-wide expenses increased approximately $123,422 (3.9 percent). The following functions provided the most significant increases in expenses in the current year: general government $27,068 (15.5 percent); public protection $53,287 (5.6 percent); and health and sanitation of $36,580 (5.4 percent). These increases are due to the changes in the payroll costs, other postemployment benefits, pension related items, coupled with increased governmental funding in the fiscal year. The table on the following page indicates the changes in net position for governmental and business-type activities.

Condensed Statement of Activities
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)

Primary Government	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for service	$ 378,692	379,732	382,932	366,103	761,624	745,835
Operating grants and contributions	1,416,772	1,402,804	2,541	3,159	1,419,313	1,405,963
Capital grants and contributions	29,327	42,584	19,039	8,636	48,366	51,220
General revenue:						
Taxes:						
Property	525,232	490,856			525,232	490,856
Transient	6,699	6,583			6,699	6,583
Sales and use	96,730	86,146		802	96,730	86,948
Unrestricted investment earnings	30,907	10,678	14,094	6,082	45,001	16,760
Grants and contributions not restricted to specific programs	264,231	251,839			264,231	251,839
Pledged tobacco settlement	14,555	15,016			14,555	15,016
Miscellaneous	118,482	113,475			118,482	113,475
Total revenues	2,881,627	2,799,713	418,606	384,782	3,300,233	3,184,495
Expenses:						
General government	201,781	174,713			201,781	174,713
Public assistance	692,159	690,787			692,159	690,787
Public protection	1,006,545	953,258			1,006,545	953,258
Health and sanitation	714,167	677,587			714,167	677,587
Public ways and facilities	173,551	165,056			173,551	165,056
Recreation and culture	41,833	45,305			41,833	45,305
Education	1,561	1,535			1,561	1,535
Interest and fiscal charges	104,203	102,065			104,203	102,065
Airports			195,411	199,349	195,411	199,349
Solid Waste			78,402	75,770	78,402	75,770
Water Agency			62,005	61,270	62,005	61,270
Parking Enterprise			2,067	3,781	2,067	3,781
County Transit			2,425	2,212	2,425	2,212
Total expenses	2,935,800	2,810,306	340,310	342,382	3,276,110	3,152,688
Changes in net position before transfers	(54,173)	(10,593)	78,296	42,400	24,123	31,807
Transfers	6,474	6,506	(6,474)	(6,506)		
Changes in net position	(47,699)	(4,087)	71,822	35,894	24,123	31,807
Net position (deficit), beginning of year, as restated	(437,046)	(432,959)	1,337,245	1,301,351	900,199	868,392
Net position (deficit), end of year	$ (484,745)	(437,046)	1,409,067	1,337,245	924,322	900,199

Note: Beginning net position for FY 2017-18 was restated due to implementing GASB 75.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses ***fund accounting*** to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are comprised of general, special revenue, debt service, and capital projects funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *total fund balance less nonspendable* portion is a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2019, the County's governmental funds reported combined fund balances of $773,168, a decrease of $17,454 in comparison with the prior year's total ending fund balance of $790,622. The components of total fund balance are as follows (for more information, see Note 18 – Fund Balances):

- *Nonspendable fund balance*, $18,319, are amounts that are not in spendable form or are legally or contractually required to be maintained intact, and are made up of 1) inventory of $1,358; 2) prepaid items of $3,881; 3) long-term receivables/advances of $6,380; 4) legally required Teeter Tax program loss reserves of $5,809; and 5) Teeter Tax delinquencies of $891.

- *Restricted fund balance*, $679,546, consists of amounts with constraints put on their use by externally imposed creditors, grantors, contributions, laws, regulations or enabling legislation. Examples of restrictions on funds are those for legislated amounts restricted for 1) health and sanitation of $244,992; 2) capital projects of $96,696; 3) debt service of $79,225; 4) public ways and facilities of $59,937; 5) economic development of $57,691, 6) public protection of $73,086, 7) environmental management of $13,806 and 8) public assistance $38,742.

- A*ssigned fund balance*, $75,303, represents amounts intended for use as determined by the County Board of Supervisors.

Approximately 97.6 percent, or $754,849, of the total fund balances is considered spendable. With the exception of the nonspendable portion totaling $18,319, $679,546 is available for appropriation for restricted purposes and $75,303 is assigned for County Board of Supervisors approved uses.

The decrease of $17,454 in the governmental funds combined fund balances was primarily attributable to a decrease in debt service funds totaling $17,312 and $13,067 in the General Fund, offset by increases in special revenue funds of $6,459 and capital project funds of $6,466.

The General Fund is the principle operating fund of the County. The General Fund's total fund balance decreased by 3.6 percent, or $13,067, to $354,691 at June 30, 2019. The nonspendable portion of fund balance was $18,319, which is a decrease of $18,159 from the prior year balance of $36,478 and the spendable portion was $336,372, an increase of $5,092 from the prior year spendable balance of $331,280.

As a measure of the General Fund's liquidity, it may be useful to compare both total fund balance and spendable fund balance to total fund expenditures. Total fund balance equates to 15.3 percent of total General Fund expenditures while spendable fund balance equates to 14.5 percent of total General Fund expenditures. Of the General Fund spendable fund balance, $261,069, or 77.6 percent, is restricted.

Other governmental funds: The total fund balances of the remaining governmental funds decreased 1.0 percent, or $4,387, to $418,477 with the following significant changes:

- The special revenue funds increased by $6,459 from $237,582 to $244,041, primarily due to 1) the addition of the new Inmate Welfare Fund totaling $7,646; 2) increase of $15,374 in the Roads Fund due to increasing activity relating to various projects; 3) decrease in Economic Development Fund of $22,289 primarily due to increased activity relating to the agreement with the McClellan Business Park; and 4) net increase of $5,728 amongst several special revenue funds due to current year operating results.

- The capital projects funds increased by $6,466 primarily due to the Accumulated Outlay Fund. This was due to timing of project expenditures compared to revenue inflows.

- The debt service funds decreased by $17,312 from $87,913 to $70,601 primarily due to the 1) refunding of the 1997 Public Facilities Refunding COPs $7,012; 2) refunding of the 2003 Public Facilities COPs $975; 3) refunding of the 2006 Public Facilities COPs $2,361; and 4) refunding of the 2007 Public Facilities COPs $3,077.

Revenues for total governmental funds totaled $2,857,556 in FY 2018-19, which represents an increase of 2.0 percent from FY 2017-18.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year:

Revenues Classified by Source
Governmental Funds
(amounts expressed in thousands)

	FY 2019		FY 2018		Increase/(Decrease)	
Revenue by Source	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	$ 628,661	22.00 %	583,585	20.83 %	45,076	7.72 %
Use of money and property	29,960	1.05 %	10,937	0.39 %	19,023	173.93 %
Licenses and permits	63,338	2.22 %	71,853	2.57 %	(8,515)	(11.85)%
Intergovernmental	1,684,433	58.94 %	1,685,673	60.18 %	(1,240)	(0.07)%
Charges for sales and services	274,573	9.61 %	269,158	9.61 %	5,415	2.01 %
Fines, forfeitures and penalties	40,781	1.43 %	38,721	1.38 %	2,060	5.32 %
Pledged tobacco settlement	14,555	0.51 %	15,016	0.54 %	(461)	(3.07)%
Contributions from property owners	6,037	0.21 %	12,626	0.45 %	(6,589)	(52.19)%
Miscellaneous	115,218	4.03 %	113,475	4.05 %	1,743	1.54 %
Total	$ 2,857,556	100.00 %	2,801,044	100.00 %	56,512	2.02 %

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Taxes increased $45.1 million primarily due to $34.4 million increase in property tax revenue due to an increase in assessed property values.
- Licenses and permits decreased by $8.5 million, primarily due to decreased activities in roadway fees totaling $5.7 million.
- Contributions from property owners decreased by $6.6 million due to a contribution in McClellan Park Community Facilities District in FY 2017-18 offset by $6.0 million relating to a contribution in FY 2018-19 in Florin Vineyard Community Facilities District.

Expenditures for governmental funds totaled $2,899,535 in FY 2018-19, which represents an increase of 4.2 percent from FY 2017-18.

The following table presents expenditures by function compared to prior year amounts:

Expenditures by Function
Governmental Funds
(amounts expressed in thousands)

Expenditures by Function	FY 2019 Amount	FY 2019 Percent of Total	FY 2018 Amount	FY 2018 Percent of Total	Increase/(Decrease) Amount	Increase/(Decrease) Percent of Change
Current:						
General government	$ 190,191	6.56 %	154,698	5.56 %	35,493	22.94 %
Public assistance	675,857	23.31 %	673,167	24.18 %	2,690	0.40 %
Public protection	918,419	31.68 %	860,247	30.90 %	58,172	6.76 %
Health and sanitation	693,869	23.93 %	655,842	23.56 %	38,027	5.80 %
Public ways and facilities	138,291	4.77 %	143,330	5.15 %	(5,039)	(3.52)%
Recreation and culture	39,132	1.35 %	40,990	1.47 %	(1,858)	(4.53)%
Education	1,367	0.05 %	1,487	0.05 %	(120)	(8.07)%
Capital outlay	37,196	1.28 %	51,992	1.87 %	(14,796)	(28.46)%
Debt service:						
Principal	111,160	3.83 %	60,668	2.18 %	50,492	83.23 %
Interest and fiscal charges	93,778	3.23 %	141,405	5.08 %	(47,627)	(33.68)%
Bond issuance costs	275	0.01 %		%	275	100.00 %
Total	$ 2,899,535	100.00 %	2,783,826	100.00 %	115,709	4.16 %

The following provides an explanation of the expenditures by function that changed significantly over the prior year:

- General government increased by $35.5 million primarily due to 1) the first payment of $7.5 million relating to UCD settlement; 2) increase of $17.1 million in Economic Development Fund relating to payments for the McClellan Business Park letter of credits issued in FY 2018-19; 3) $8.7 million payment from the General Fund to the Fixed Asset Revolving capital fund relating to the county's fixed asset financing program.

- Public protection increased by $58.2 million primarily due to 1) a $48.3 million increase in the General Fund, with $39 million relating to salaries and benefits. The increase was primarily due to COLA increases, salary step increases, equity adjustments, as well as an increase in the retirement contribution rates for safety employees; and 2) a $6.7 million increase in special revenue funds due to the addition of the Inmate Welfare Fund.

- Health and sanitation increased by $38.0 million primarily due to 1) a $10 million increase in salaries and benefits resulting from COLAs and equity adjustments; 2) increase of $31 million in provider payments; and 3) a decrease of $3 million in welfare assistance payments.

- Capital outlay decreased by $14.8 million primarily due to 1) a decrease of $12.6 million in the McClellan Park CFD projects; 2) a decrease of $6.6 million in the Accumulated Capital Outlay Capital Project Fund due to timing of construction activity for various projects; and 3) offset by an increase of $9.0 million for North Vineyard Station CFD projects.

Other financing sources and uses are presented below to illustrate changes from the prior year:

	FY 2019	FY 2018	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Transfers in	$ 181,761	186,135	(4,374)	(2.35)%
Transfers out	(164,981)	(159,219)	(5,762)	3.62 %
Issuance of debt	20,372	18,241	2,131	11.68 %
Premiums on debt issued	11,659		11,659	100.00 %
Refunding debt issued	89,125		89,125	100.00 %
Payment to refunded bonds escrow agent	(113,411)		(113,411)	100.00 %
Total other financing sources (uses)	$ 24,525	45,157	(20,632)	(45.69)%

- Transfers in/out: Decrease in net transfers is primarily due to increased transfers out and decreased transfers in for debt service activity and capital projects.
- Issuance of debt: Increase is due to the issuance of Teeter note resulting from a slight reduction in property tax collections, as well as the timing of property tax collections.
- Refunding debt issued/premiums on debt issued: In FY 2018-19, the County issued the 2018 Certificates of Participation Bonds at a premium totaling $100,784.
- Payment to refunded bonds escrow agent: The proceeds from the 2018 Certificates of Participation Bonds were used to defease the 1997 Public Facilities Refunding, the 2003 Public Facilities Projects - ADA improvements, the 2006 Public Facilities Project, and the 2007 Certificates of Participation.

Proprietary funds. The County’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, the unrestricted net position for Airports Enterprise Fund was $144,244, Solid Waste Enterprise Fund $30,640, Water Agency Enterprise Fund $60,868, Parking Enterprise Fund was $5,835 and County Transit Enterprise Fund was $0. The internal service funds that are used to account for certain governmental activities had unrestricted net position of a deficit $102,434.

Airports' total net position increased by $34,671 during fiscal year ended June 30, 2019, primarily as a result of a combination of operating income of $29,357; a decrease in net nonoperating expenses of $3,555, capital contributions of $11,421, and a transfer out of $2,552. Increased revenues of $12,303 were primarily a result of increased concession revenues of $8.7 million, passenger facility charges (PFC) of $2.8 million, and customer facility charges of $1.3 million. The revenue was offset by an increase of operating expenses of $5.9 and a decrease in interest expense of $10.1 million.

The Solid Waste’s total net position increased by $3,055 during fiscal year ended June 30, 2019. This increase was a result of a combination of operating income of $3,077, net nonoperating income of $2,885, with a transfer out of $2,907. The increase in net position is primarily the result of operating revenues for residential service charges and tipping fees exceeding the cost of providing these services.

The Water Agency’s total net position increased by $30,797 during fiscal year ended June 30, 2019. This increase was a result of a combination of operating income of $37,580; net nonoperating expenses of $12,336; a transfer out of $983; and capital contributions of $6,536. The increase in net position is primarily the result of water service charges and development fee revenues exceeding the cost of providing these services.

The table below shows actual revenues, expenses and results of operations for the current fiscal year:

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
(amounts expressed in thousands)

	Major Enterprise Funds			Nonmajor Enterprise Funds			Internal
	Airports	Solid Waste	Water Agency	Parking Enterprise	County Transit	Totals	Service Funds
Operating revenues	$ 185,927	82,104	84,736	3,028	253	356,048	298,077
Operating expenses	(156,570)	(79,027)	(47,156)	(2,124)	(2,425)	(287,302)	(284,319)
Operating income (loss)	29,357	3,077	37,580	904	(2,172)	68,746	13,758
Nonoperating revenues (expenses)	(3,555)	2,885	(12,336)	192	1,638	(11,176)	(314)
Income before capital contributions and transfers	25,802	5,962	25,244	1,096	(534)	57,570	13,444
Transfers in (out)	(2,552)	(2,907)	(983)	(32)		(6,474)	(10,306)
Capital contributions	11,421		6,536		1,082	19,039	
Changes in net position	$ 34,671	3,055	30,797	1,064	548	70,135	3,138

The income before capital contributions and transfers of enterprise funds of $57,570 resulted primarily from net increases for Airports of $25,802, Solid Waste of $5,962, and Water Agency of $25,244.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final budget resulted in a $18.3 million increase in expenditures, and are briefly summarized as follows:

General Government: Decreased by $22.3 million primarily due to a decrease in the interagency procurement activities resulting from the elimination of flow-through departmental capital asset purchases. This decrease was partially offset by rebudgeting $1.1 million for the Mather Veteran's Village, funding for a Library Master Plan study, and a $3.1 million increase in appropriations for contingency due to addional Proposition 172 public safety sales tax revenue.

Public Assistance: Increased by $5.9 million in the Department of Human Assistance for cost of living adjustments and enhancements to emergency shelter and other rehousing programs.

Public Protection: Increased by $19.4 million due to a $4.7 million increase in the Sheriff's budget and Correctional Health primarily to address deficiencies in the jails, an increase of $1.5 million in grant funding for the Office of Emergency Services, a $3.6 million increase to establish an AB 109 Community Corrections reserve, approximately $8.4 million in cost of living increases and increases in miscelaneous state and federal funding resulting in increased appropriations.

Health and Sanitation: Increased by $14.1 million due primarily to rebudgeting of $5.7 million for supplemental pay related to the In-Home Supportive Services Maintenance of Effort, increases in Child Protective Services programs in the Department of Child, Family and Adult Services, a $3.8 million increase to the 1991 Realignment Social Services reserve, and miscellaneous increases in state and federal funding resulting in increased appropriations.

Actual revenues for the General Fund were $95.3 million less than the final budgetary estimates. The under-collection of revenues was due primarily to reduced public protection, health and sanitation, and public assistance program costs that resulted in a reduction of approximately $84.7 million in federal and state revenue along with other increases and decreases in revenue including an increase in property and sales tax revenues of $8.1 million.

Actual expenditures were $215.0 million less than budgetary estimates. Expenditures less than budget were due to reduced health and sanitation costs totaling $81.7 million; and public assistance program costs totaling $58.6 million for a combined total of approximately $140.3 million; and reduced costs of $34.3 million in general government. These decreases were a timing result of programs implementations and prepartion for FY 2019-20 reductions. Additionally, there were miscellaneous increases and decreases across County departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounted to $3,932,161, net of accumulated depreciation. This investment in capital assets includes land and easements, computer software and other intangibles, water facility rights, infrastructure, building and improvements, equipment, and construction in progress. The total decrease in the County's investment in capital assets for the current year was 0.25 percent.

Capital assets, net of accumulated depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Schedule of Capital Assets
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total		Increase/ (Decrease)
	2019	2018	2019	2018	2019	2018	Percent of Change
Nondepreciable:							
Land	$ 133,728	131,980	133,960	133,970	267,688	265,950	0.65 %
Construction in progress	37,037	41,795	98,865	69,832	135,902	111,627	21.75 %
Permanent easement	14,876	13,160	57	57	14,933	13,217	12.98 %
Water facility rights			196,478	196,478	196,478	196,478	
Other intangible			1,904	1,904	1,904	1,904	
Intangible asset under project	66	66			66	66	
Depreciable:							
Buildings and improvements	393,284	403,414	1,604,167	1,633,827	1,997,451	2,037,241	(1.95)%
Infrastructure	1,054,906	1,066,267	146,515	136,997	1,201,421	1,203,264	(0.15)%
Equipment	66,203	63,103	44,724	43,142	110,927	106,245	4.41 %
Computer software	4,161	5,049	412	1	4,573	5,050	(9.45)%
Water facility rights			818	843	818	843	(2.97)%
Total	$ 1,704,261	1,724,834	2,227,900	2,217,051	3,932,161	3,941,885	(0.25)%

The following provides an explanation of significant changes in capital assets:

- Land: Increased in total by approximately $1.7 million. This increase is primarily due to the purchase of two parcels on Fair Oaks Boulevard.

- Permanent easement: This increase is primarily due to the Roads Fund of $1.7 million.

- Buildings and improvements: Decreased in total by approximately $39.8 million. This is due to increases in completed projects in the governmental funds including $5.1 million and $1.9 million for reroofing the Lorenza Patino Hall of Justice and the Coroner Crime Laboratory, respectively, and other completed projects totaling $7.8 million. Mission Oaks Recreation and Park District completed a redevelopment of Eastern Oak Community Park for approximately $3.3 million. In addition, Airports completed Phase Two of the Sacramento International Airport Terminal A Rehabilitation for $3.9 million and an extension of Truemper Way from Van Karmann Street for $5.1 million, and other projects totaling $15.7 million. Solid Waste and the Water Agency completed $0.4 million and $12.2 million in various projects, respectively. These net with decreases due to depreciation of $28.7 million in governmental funds, $49.6 million in Airports, $1.8 million in Solid Waste, and $14.9 million in the Water Agency.

- Construction in progress: Increased by approximately $24.3 million. This is due to a combination of decreases due to governmental fund projects being capitalized to building costs of $18.2 million and to infrastructure of $9.9 million, as well as other projects being capitalized to building costs or infrastructure for Airports of $19.9 million and the Water Agency of $19.7 million. Increases to construction in progress include $23.6 million for governmental funds, $38.6 million for Airports, $3.0 million for Solid Waste, and $26.2 million for the Water Agency.

- Equipment: Increased in total by approximately $4.7 million. This is due to increases in governmental funds of $5.1 million, General Services of $13.2 million, Department of Technology of $3.6 million, and Regional Radio Communications System of $2.3 million. Additions in equipment for Airports of $5.8 million and Solid Waste of $1.7 million. Decreases due to depreciation were as follows: governmental funds of $5.1 million, General Services of $8.5 million, Department of Technology of $2.8 million, Regional Radio Communications System of $2.3 million, Airports of $2.9 million, and Solid Waste of $4.8 million.

Additional information on the County's capital assets can be found in Note 5 on pages 67 - 69.

The County has entered into several agreements related to the construction of capital projects. For governmental funds, $14.3 million relates to various overlay projects throughout the County and $2.9 million relates to a bridge improvement project on Winding Way. There is also $29.2 million which relates to numerous projects throughout the County. For Airports, $8.5 million was for loading bridge replacements in Terminal A at Sacramento International Airport (SMF) and $13.5 million for runway improvements at SMF. Total committments can be found in Note 12 on page 93.

Debt Administration. At June 30, 2019, the County's governmental activities had long-term obligations, totaling $1.7 billion. Of this amount $157.0 million are certificates of participation, $229.0 million are revenue bonds for the securitization of the tobacco settlement agreement, $68.0 million are revenue bonds issued by the Public Financing Authority to finance redevelopment projects in designated redevelopment project areas in the City and County of Sacramento with associated accreted interest totaling $35.9 million, and $87.2 million as litigation liability. Other significant long-term obligations include $21.5 million in loan agreements to fund the alternative method of distributing property taxes (Teeter Plan), $862.4 million in pension obligation bonds, and $65.7 million associated accreted interest for pension obligation bonds. The remaining represents various other debt obligations. In addition, compensated absences amounted to $122.0 million and capital lease obligations were $0.8 million.

Business-type activities had long-term obligations of approximately $1.3 billion. This includes $970.3 million of Airports revenue bonds and other Airports debt, and Sacramento County Water Agency revenue bonds, reimbursement agreements, water rights, and usage fees totaling $345 million.

For the year ended June 30, 2019, the County's total long-term obligations had a net decrease of $123,669. The net decrease is primarily a result of scheduled principal retirements of revenue bonds and associated accreted interest in the amount of $15.0 million, a net decrease in pension obligation bonds and associated accreted interest in the amount of $69.5 million, a litigation liability payment of $6.4 million, and a net decrease in certificates of participation of $38.7 million including the current year refunding outlined in Note 8. The decreases were offset by $4.0 million increases related to unamortized amounts.

Long-term debt for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Schedule of Long-Term Debt
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total		Increase/(Decrease)	
	2019	2018	2019	2018	2019	2018	Amount	Percent
Governmental activities:								
Compensated absences	$ 122,006	118,754	6,871	6,630	128,877	125,384	3,493	2.79 %
Certificates of participation	156,980	195,690			156,980	195,690	(38,710)	(19.78)%
Teeter notes	21,460	21,618			21,460	21,618	(158)	(0.73)%
Pension obligation bonds	862,383	925,700			862,383	925,700	(63,317)	(6.84)%
Accreted interest	65,732	71,885			65,732	71,885	(6,153)	(8.56)%
Revenue bonds	296,952	302,267	970,260	983,560	1,267,212	1,285,827	(18,615)	(1.45)%
Accreted interest	35,910	32,337			35,910	32,337	3,573	11.05 %
Other long-term debt	493	581			493	581	(88)	(15.15)%
Litigation liability	87,182	93,620			87,182	93,620	(6,438)	100.00 %
Capital lease obligations	780	2,227			780	2,227	(1,447)	(64.98)%
Unamortized amounts								
Issuance premiums	12,741	2,991	108,240	114,445	120,981	117,436	3,545	3.02 %
Issuance discounts	(5,639)	(6,053)			(5,639)	(6,053)	414	(6.84)%
PFC and subordinate revenue bonds			230,380	230,380	230,380	230,380		0.00 %
Reimbursement agreements			4,421	3,430	4,421	3,430	991	28.89 %
Water rights - SMUD assignment			1,921	2,680	1,921	2,680	(759)	(28.32)%
	$ 1,656,980	1,761,617	1,322,093	1,341,125	2,979,073	3,102,742	(123,669)	(3.99)%

Additional information regarding the County's long-term debt can be found in Note 8, pages 75 through 86.

Economic Factors and Next Year's Budget and Rates

- Six major sources of revenue generated from the performance of the economy are:
  - Property tax revenues (from all sources – secured, unsecured, and delinquent.) budgeted for FY 2019-20 in the amount of $286,137, are expected to increase over the FY 2018-19 adopted budget by $17,412, a 6.2 percent increase. The FY 2019-20 projection is a $15,124 increase of 5.6 percent over the FY 2018-19 actual collections. The FY 2019-20 projection is based on the July assessment roll prepared by the County Assessor.
  - Sales and use tax revenues budgeted for FY 2019-20 in the amount of $88,765, are expected to increase over the FY 2018-19 adopted budget by $2,575, a 3.0 percent increase. The FY 2019-20 projection is a $2,271 decrease of 2.5 percent from FY 2018-19 actual collections. The FY 2019-20 projection is based on the full 1.0 percent share of the statewide collected sales tax rate of 7.7 percent, collected from the unincorporated area.
  - Utility tax revenues budgeted for FY 2019-20 in the amount of $18,409, are expected to decrease over the FY 2018-19 adopted budget by $1,957, a 9.6 percent decrease. The FY 2019-20 projection is a $234 decrease of 2.3 percent from FY 2018-19 actual collections.
  - Proposition 172 revenues budgeted for FY 2019-20 in the amount of $131,830, are expected to increase over the FY 2018-19 adopted budget by $8,950, a 7.8 percent increase. The FY 2019-20 projection is a $4,388 increase of 3.4 percent from FY 2018-19 actual collections. The FY 2019-20 projection is based on a growth rate in statewide Proposition 172 sales tax collections of approximately 3.6 percent and a moderate increase in Sacramento County's share of the statewide total revenue.
  - Realignment revenues budgeted for FY 2019-20 in the amount of $699,066, are expected to increase over the FY 2018-19 adopted budget by approximately $22,738, a 3.4 percent increase. The budget estimates is comprised of $49,099 in revenue carried forward from prior years and, $649,966 in current year base and growth revenue.The realignment revenue is supported by a portion of the statewide sales tax and vehicle license fee collections.
  - Property tax in-lieu of vehicle license fees revenues budgeted for FY 2019-20 in the amount of $181,653 is expected to increase over the FY 2018-19 adopted budget by $11,100, a 6.5 percent increase. The FY 2019-20 projection is a $11,331 increase of 6.7 percent from FY 2018-19 actual collections.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Sacramento, Department of Finance, 700 H Street, Room 3650, Sacramento, CA 95814.

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

COUNTY OF SACRAMENTO
GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission
Assets:				
Current assets:				
Cash and investments	$ 919,607	365,978	1,285,585	28,486
Restricted cash and investments		38,981	38,981	
Receivables, net of allowance for uncollectibles:				
Billed	72,781	26,543	99,324	1
Interest	8,306	5,498	13,804	
Intergovernmental	239,759	11,651	251,410	4,229
Prepaid items	4,414	413	4,827	
Internal balances	(35,373)	35,373		
Inventories	2,590	702	3,292	
Total current assets	1,212,084	485,139	1,697,223	32,716
Noncurrent assets:				
Restricted assets		138,791	138,791	
Loan receivable from County Successor Agency	59,645		59,645	
Loan receivable from City Successor Agency	5,695		5,695	
Long-term receivables	34,403		34,403	
Prepaid bond insurance	4,143	475	4,618	
Capital assets:				
Land and other nondepreciable assets	185,707	431,264	616,971	
Buildings & improvements, infrastructure, equipment and intangibles, net	1,518,554	1,796,636	3,315,190	
Total capital assets	1,704,261	2,227,900	3,932,161	
Total noncurrent assets	1,808,147	2,367,166	4,175,313	
Total assets	3,020,231	2,852,305	5,872,536	32,716
Deferred outflows of resources:				
Accumulated decrease in fair value of SWAP agreement	80,729	63,181	143,910	
Deferred amounts on refunding	27,952	35,927	63,879	
Deferred outflows related to pensions	636,352	26,969	663,321	724
Deferred outflows related to OPEB	11,496	379	11,875	8
Total deferred outflows of resources	756,529	126,456	882,985	732
Total assets and deferred outflows of resources	3,776,760	2,978,761	6,755,521	33,448

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission
Liabilities:				
Current liabilities:				
Warrants payable	$ 28,475	4,032	32,507	
Accrued liabilities	120,416	27,035	147,451	2,195
Intergovernmental payable	22,960	22	22,982	1,747
Accrued interest payable	17,964		17,964	
Current portion of insurance claims payable	38,711		38,711	
Current portion of long-term debt obligations	117,597	30,712	148,309	54
Current liabilities payable from restricted assets		21,756	21,756	
Unearned revenues	79,259	3,991	83,250	
Total current liabilities	425,382	87,548	512,930	3,996
Noncurrent liabilities:				
Insurance claims payable	201,414		201,414	
Long-term debt obligations	1,539,383	1,291,381	2,830,764	154
Derivative instrument liability	80,729	63,181	143,910	
Landfill closure and postclosure care		41,612	41,612	
Net pension liability	1,664,820	68,624	1,733,444	1,821
Total OPEB liability	168,353	9,069	177,422	182
Total noncurrent liabilities	3,654,699	1,473,867	5,128,566	2,157
Total liabilities	4,080,081	1,561,415	5,641,496	6,153
Deferred inflows of resources:				
Deferred inflows related to refunding		161	161	
Deferred inflows related to pensions	163,719	7,377	171,096	317
Deferred inflows related to OPEB	17,705	741	18,446	16
Total deferred inflows of resources	181,424	8,279	189,703	333
Total liabilities and deferred inflows of resources	4,261,505	1,569,694	5,831,199	6,486
Net position:				
Net investment in capital assets	1,415,121	1,001,266	2,416,387	
Restricted	679,546	130,601	810,147	
Unrestricted	(2,579,412)	277,200	(2,302,212)	26,962
Total net position (deficit)	$ (484,745)	1,409,067	924,322	26,962

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Primary Government							Component Unit
					Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	First 5 Commission
Function/Programs								
Primary Government								
Governmental Activities:								
General Government	$ 201,781	99,530	23,040		(79,211)		(79,211)	
Public Assistance	692,159		681,611		(10,548)		(10,548)	
Public Protection	1,006,545	154,328	114,814	2,767	(734,636)		(734,636)	
Health and Sanitation	714,167	37,415	548,255	691	(127,806)		(127,806)	
Public Ways and Facilities	173,551	75,339	49,052	25,698	(23,462)		(23,462)	
Recreation and Culture	41,833	12,080		171	(29,582)		(29,582)	
Education	1,561				(1,561)		(1,561)	
Interest and fiscal charges	104,203				(104,203)		(104,203)	
Total governmental activities	2,935,800	378,692	1,416,772	29,327	(1,111,009)		(1,111,009)	
Business-type Activities:								
Airport	195,411	212,783	596	11,421		29,389	29,389	
Solid Waste	78,402	82,104	322			4,024	4,024	
Water Agency	62,005	84,736	35	6,536		29,302	29,302	
Parking Enterprise	2,067	3,028				961	961	
County Transit	2,425	281	1,588	1,082		526	526	
Total business-type activities	340,310	382,932	2,541	19,039		64,202	64,202	
Total primary government	$ 3,276,110	761,624	1,419,313	48,366	(1,111,009)	64,202	(1,046,807)	
Component Unit:								
First 5 Commission	20,384		14,671					(5,713)
Total component unit	$ 20,384		14,671					(5,713)
General Revenues:								
Taxes:								
Property Taxes					525,232		525,232	
Transient Occupancy					6,699		6,699	
Sales/Use Taxes					96,730		96,730	
Unrestricted Investment Earnings					30,907	14,094	45,001	983
Grants and Contributions Not Restricted to Specific Programs					264,231		264,231	
Pledged Tobacco Settlement					14,555		14,555	
Miscellaneous					118,482		118,482	
Transfers					6,474	(6,474)		
Total general revenues and transfers					1,063,310	7,620	1,070,930	983
Changes in net position					(47,699)	71,822	24,123	(4,730)
Net position (deficit), beginning of year					(437,046)	1,337,245	900,199	31,692
Net position (deficit), end of year					$ (484,745)	1,409,067	924,322	26,962

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019
(amounts expressed in thousands)

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and investments	$ 287,495	403,208	690,703
Receivables, net of allowance for uncollectibles:			
Billed	56,318	16,462	72,780
Interest	3,863	4,381	8,244
Intergovernmental	234,290	5,337	239,627
Due from other funds	470		470
Prepaid items	3,881		3,881
Inventories	1,358		1,358
Long-term advances to other funds		240	240
Loan receivable from County Successor Agency		59,645	59,645
Loan receivable from City Successor Agency		5,695	5,695
Long-term receivables	12,037	22,278	34,315
Total assets	$ 599,712	517,246	1,116,958
Liabilities, deferred inflows of resources, and fund balances:			
Liabilities:			
Warrants payable	$ 20,968	1,785	22,753
Accrued liabilities	95,741	16,313	112,054
Intergovernmental payable	12,994	9,718	22,712
Due to other funds		470	470
Unearned revenue	72,212	1,673	73,885
Long-term advances from other funds	18,549		18,549
Total liabilities	220,464	29,959	250,423
Deferred inflows of resources:			
Unavailable revenue	24,557	68,810	93,367
Fund balances:			
Nonspendable	18,319		18,319
Restricted	261,069	418,477	679,546
Assigned	75,303		75,303
Total fund balances	354,691	418,477	773,168
Total liabilities, deferred inflows of resources, and fund balances	$ 599,712	517,246	1,116,958

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

Fund balances - total governmental funds	$ 773,168
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	1,646,825
Accrued interest is not reported in the funds.	(17,964)
Prepaid bond insurance of the governmental activities are not current financial resources and, therefore are not reported in the funds.	4,143
Long-term liabilities and related deferred outflows of resources including accumulated decrease in fair value of SWAP agreement and the deferred loss on refunding, are not due and payable in the current period or represent current financial resources and therefore are not reported in the funds.	(1,617,959)
Other long-term assets are not available to pay for current period expenditures, therefore are reported as deferred inflows of resources in the funds.	93,367
Net pension liability including related deferred outflows and inflows are not reported in the funds.	(1,123,059)
Total OPEB liability including related deferred outflows and inflows are not reported in the funds.	(162,655)
Internal service funds are used by management to charge the costs of certain activities,related to public works, general services, self-insurance, regional communications,and department of technology to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement net position.	(80,611)
Net position (deficit) of governmental activities	$ (484,745)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Taxes	$ 587,675	40,986	628,661
Use of money and property	12,073	17,887	29,960
Licenses and permits	11,460	51,878	63,338
Intergovernmental	1,590,790	93,643	1,684,433
Charges for sales and services	129,071	145,502	274,573
Fines, forfeitures and penalties	28,745	12,036	40,781
Pledged tobacco settlement		14,555	14,555
Contributions from property owners		6,037	6,037
Miscellaneous	62,037	53,181	115,218
Total revenues	2,421,851	435,705	2,857,556
Expenditures:			
Current:			
General government	121,310	68,881	190,191
Public assistance	675,857		675,857
Public protection	849,736	68,683	918,419
Health and sanitation	655,505	38,364	693,869
Public ways and facilities		138,291	138,291
Recreation and culture	22,007	17,125	39,132
Education	389	978	1,367
Capital outlay		37,196	37,196
Debt service:			
Principal		111,160	111,160
Bond issuance costs		275	275
Interest and fiscal charges		93,778	93,778
Total expenditures	2,324,804	574,731	2,899,535
Excess (deficiency) of revenues over (under) expenditures	97,047	(139,026)	(41,979)
Other financing sources (uses):			
Transfers in	10,882	170,879	181,761
Transfers out	(120,996)	(43,985)	(164,981)
Issuance of long-term debt		20,372	20,372
Refunding debt issued		89,125	89,125
Premiums on debt issued		11,659	11,659
Payment to refunded bonds escrow agent		(113,411)	(113,411)
Total other financing sources (uses)	(110,114)	134,639	24,525
Changes in fund balances	(13,067)	(4,387)	(17,454)
Fund balances - beginning	367,758	422,864	790,622
Fund balances - ending	$ 354,691	418,477	773,168

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

Changes in fund balances - total governmental funds	$	(17,454)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(23,333)
Change in accrued interest payable.		(1,877)
Change in prepaid bond insurance.		(893)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		100,564
Pension related expenses, including changes in deferred inflows and deferred outflows of resources, reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		(120,684)
OPEB related expenses, including changes in deferred inflows and deferred outflows of resources, reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		(8,597)
Some revenues will not be collected up to 120 days after the year end, and therefore are not considered "available" and are reported as deferred inflows of resources in the governmental funds. Unavailable revenues decreased by this amount during the year.		23,124
The net revenues of certain activities of internal service funds is reported with governmental activities.		1,451
Change in net position of governmental activities	$	(47,699)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 569,566	569,394	587,675	18,281
Use of money and property	6,303	6,313	12,073	5,760
Licenses and permits	11,712	11,734	11,460	(274)
Intergovernmental	1,737,556	1,737,705	1,590,790	(146,915)
Charges for sales and services	166,867	127,999	129,071	1,072
Fines, forfeitures and penalties	27,106	28,641	28,745	104
Miscellaneous	32,768	35,357	62,037	26,680
Total revenues	2,551,878	2,517,143	2,421,851	(95,292)
Expenditures:				
Current:				
General government:				
Legislative and administrative	55,620	31,211	16,450	14,761
Finance	76,589	77,281	61,322	15,959
Counsel	4,918	5,048	4,745	303
Human resources	12,903	13,361	11,675	1,686
Elections	11,896	12,439	11,992	447
Other	16,013	16,256	15,126	1,130
Total general government	177,939	155,596	121,310	34,286
Public assistance:				
Administration	308,779	314,775	293,834	20,941
Aid programs	386,313	385,696	349,956	35,740
Other	33,454	33,968	32,067	1,901
Total public assistance	728,546	734,439	675,857	58,582

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Public protection:				
Judicial	$ 160,727	162,687	158,585	4,102
Police protection	348,642	359,066	345,160	13,906
Detention and correction	295,107	299,960	289,534	10,426
Protection and inspection	4,816	5,008	4,666	342
Other	58,279	60,211	51,791	8,420
Total public protection	867,571	886,932	849,736	37,196
Health and sanitation	723,102	737,205	655,505	81,700
Recreation and culture	23,906	25,237	22,007	3,230
Education	389	389	389	
Total expenditures	2,521,453	2,539,798	2,324,804	214,994
Excess (deficiency) of revenues over (under) expenditures	30,425	(22,655)	97,047	119,702
Other financing sources (uses):				
Transfers in	10,882	10,882	10,882	
Transfers out	(120,996)	(120,996)	(120,996)	
Total other financing sources (uses)	(110,114)	(110,114)	(110,114)	
Changes in fund balance	(79,689)	(132,769)	(13,067)	119,702
Fund balance - beginning	367,758	367,758	367,758	
Fund balance - ending	$ 288,069	234,989	354,691	119,702

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airports	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Assets:						
Current assets:						
Cash and investments	$ 199,458	87,182	71,284	8,054	365,978	228,904
Restricted cash and investments	38,981				38,981	
Receivables, net of allowance for uncollectibles:						
Billed	11,251	11,099	4,137	56	26,543	1
Interest	3,286	1,208	916	88	5,498	62
Intergovernmental	10,427	398	52	774	11,651	132
Prepaid items	413				413	533
Inventories	488	214			702	1,232
Total current assets	264,304	100,101	76,389	8,972	449,766	230,864
Noncurrent assets:						
Restricted assets	101,407	10,610	26,774		138,791	
Long-term advances to other funds						18,549
Prepaid bond insurance	475				475	
Long-term receivables						88
Capital assets:						
Land and other nondepreciable assets	124,834	38,161	266,435	1,834	431,264	
Buildings & improvements, infrastructure, equipment and intangibles, net	1,136,385	84,506	574,262	1,483	1,796,636	57,436
Total capital assets	1,261,219	122,667	840,697	3,317	2,227,900	57,436
Total noncurrent assets	1,363,101	133,277	867,471	3,317	2,367,166	76,073
Total assets	1,627,405	233,378	943,860	12,289	2,816,932	306,937
Deferred outflows of resources:						
Accumulated decrease in fair value of SWAP agreement			63,181		63,181	
Deferred outflows related to refunding	35,119		808		35,927	
Deferred outflows related to pensions	12,858	8,432	5,553	126	26,969	32,376
Deferred outflows related to OPEB	162	148	65	4	379	553
Total deferred outflows of resources	48,139	8,580	69,607	130	126,456	32,929
Total assets and deferred outflows of resources	1,675,544	241,958	1,013,467	12,419	2,943,388	339,866

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airports	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Liabilities:						
Current liabilities:						
Warrants payable	$ 1,283	1,752	701	296	4,032	5,722
Accrued liabilities	18,747	4,706	3,071	511	27,035	8,362
Intergovernmental payable				22	22	248
Current portion of insurance claims payable						38,711
Current portion of long-term debt obligations	17,456	72	13,184		30,712	613
Current liabilities payable from restricted assets	21,756				21,756	
Unearned revenue	3,991				3,991	5,374
Total current liabilities	63,233	6,530	16,956	829	87,548	59,030
Noncurrent liabilities:						
Insurance claims payable						201,414
Long-term debt obligations	954,555	2,288	334,500	38	1,291,381	10,456
Derivative instrument liability			63,181		63,181	
Long-term advances from other funds		240			240	
Landfill closure and postclosure care		41,612			41,612	
Net pension liability	32,892	21,767	13,644	321	68,624	84,828
Total OPEB liability	3,987	3,388	1,603	91	9,069	10,644
Total noncurrent liabilities	991,434	69,295	412,928	450	1,474,107	307,342
Total liabilities	1,054,667	75,825	429,884	1,279	1,561,655	366,372
Deferred inflows of resources:						
Deferred inflows related to refunding	161				161	
Deferred inflows related to pensions	3,748	2,231	1,324	74	7,377	16,676
Deferred inflows related to OPEB	387	225	121	8	741	1,816
Total deferred inflows of resources	4,296	2,456	1,445	82	8,279	18,492
Total liabilities and deferred inflows of resources	1,058,963	78,281	431,329	1,361	1,569,934	384,864

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airports	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Net position:						
Net investment in capital assets	$ 381,026	122,427	494,496	3,317	1,001,266	57,436
Restricted	91,311	10,610	26,774	1,906	130,601	
Unrestricted	144,244	30,640	60,868	5,835	241,587	(102,434)
Total net position (deficit)	$ 616,581	163,677	582,138	11,058	1,373,454	(44,998)
Adjustment to reflect internal service fund activities related to enterprise funds					35,613	
Net position of business-type activities					$ 1,409,067	

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds					
	Airports	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating revenues:						
Charges for sales and services	$ 185,913	80,530	82,353	3,082	351,878	293,847
Other	14	1,574	2,383	199	4,170	4,230
Total operating revenues	185,927	82,104	84,736	3,281	356,048	298,077
Operating expenses:						
Salaries and benefits	34,464	30,928	12,591	378	78,361	98,580
Services and supplies	68,726	40,338	12,426	1,740	123,230	109,581
Cost of sales and services	681			1,787	2,468	3,010
Depreciation and amortization	52,648	6,588	19,481	587	79,304	14,806
Claim payments and actuarial estimates						57,640
Landfill closure costs		1,173			1,173	
Other	51		2,658	57	2,766	702
Total operating expenses	156,570	79,027	47,156	4,549	287,302	284,319
Operating income (loss)	29,357	3,077	37,580	(1,268)	68,746	13,758
Nonoperating revenues (expenses):						
Use of money and property	8,480	2,712	2,688	214	14,094	1,532
Intergovernmental	596	322	35	1,588	2,541	
Passenger facility charges	25,587				25,587	
Customer facility charges	1,269				1,269	
Interest expense	(39,403)	(10)	(15,047)		(54,460)	(95)
Other revenues (expenses)	(84)	(139)	(12)	28	(207)	(1,751)
Total nonoperating revenues (expenses)	(3,555)	2,885	(12,336)	1,830	(11,176)	(314)
Income before transfers and capital contributions	25,802	5,962	25,244	562	57,570	13,444
Transfers in						1,000
Transfers out	(2,552)	(2,907)	(983)	(32)	(6,474)	(11,306)
Capital contributions	11,421		6,536	1,082	19,039	
Changes in net position	34,671	3,055	30,797	1,612	70,135	3,138
Net position (deficit), beginning of year	581,910	160,622	551,341	9,446		(48,136)
Net position (deficit), end of year	$ 616,581	163,677	582,138	11,058		(44,998)
Adjustment to reflect internal service fund activities related to enterprise funds					1,687	
Change in net position of business-type activities					$ 71,822	

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airports	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	$ 185,221	73,103	80,002	3,258	341,584	99,132
Receipts from interfund services provided						205,765
Receipts for other operating activities	154	7,992	2,383		10,529	
Payments to suppliers	(46,634)	(34,847)	(13,297)	(2,995)	(97,773)	(147,556)
Payments to employees	(33,120)	(29,361)	(12,563)	(368)	(75,412)	(94,450)
Payments for other operating activities		(1,497)		(57)	(1,554)	(1,146)
Payments for interfund services used	(22,941)	(3,211)		(13)	(26,165)	(23,738)
Net cash provided by (used for) operating activities	82,680	12,179	56,525	(175)	151,209	38,007
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Receipt on advances to other funds						6,727
Transfers from other funds						1,000
Transfers to other funds	(2,552)	(2,907)	(983)	(32)	(6,474)	(11,306)
Intergovernmental revenue	719	1,224		1,675	3,618	
Net cash provided by (used for) noncapital financing activities	(1,833)	(1,683)	(983)	1,643	(2,856)	(3,579)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Passenger facility charges	24,978				24,978	
Customer facility charges	584				584	
Capital contributions	2,732			322	3,054	
Acquisition and construction of capital assets	(44,642)	(5,061)	(22,947)	(1,082)	(73,732)	(20,444)
Payment on long-term advances from other funds		(230)			(230)	
Interest paid on long-term advances from other funds		(10)			(10)	
Principal paid on long-term obligations	(2,865)		(12,496)		(15,361)	
Interest paid on long-term obligations	(33,431)		(15,104)		(48,535)	(95)
Proceeds from the sale of capital assets	180	344		28	552	1,413
Net cash used for capital and related financing activities	(52,464)	(4,957)	(50,547)	(732)	(108,700)	(19,126)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airports	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received on cash and investments	7,212	2,171	2,468	176	12,027	1,512
Net increase in cash and cash equivalents	35,595	7,710	7,463	912	51,680	16,814
Cash and cash equivalents, beginning of year	301,680	90,082	66,265	7,142	465,169	212,090
Cash and cash equivalents, end of year	$ 337,275	97,792	73,728	8,054	516,849	228,904
RECONCILIATION OF CASH AND CASH EQUIVALENTS						
Cash and investments	$ 199,458	87,182	71,284	8,054	365,978	228,904
Restricted cash and investments	38,981				38,981	
Restricted noncurrent assets (net of accrued interest)	101,407	10,610	26,774		138,791	
Less: Long-term investments included in restricted assets	(2,571)		(24,330)		(26,901)	
Cash and cash equivalents	$ 337,275	97,792	73,728	8,054	516,849	228,904

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airports	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating income (loss)	$ 29,357	3,077	37,580	(1,268)	68,746	13,758
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	52,648	6,588	19,481	587	79,304	14,806
Provision for uncollectible accounts	13				13	
Impact fee credits applied			(2,259)		(2,259)	
Other nonoperating revenue	154			28	182	
Other nonoperating expense		(1,556)	(1,254)		(2,810)	(303)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
Receivables:						
Billed	(698)	(170)	1,211	155	498	23
Intergovernmental		149			149	123
Prepaid items	(178)				(178)	(460)
Inventories	(2)				(2)	392
Long-term receivables						(1)
Warrants payable	(58)	1,079	67	(168)	920	552
Accrued liabilities	156	398	418	501	1,473	(812)
Intergovernmental payable				(7)	(7)	246
Unearned revenues	(21)			(13)	(34)	331
Landfill closure and postclosure care		890			890	
Compensated absences	67	132	42		241	(6)
Insurance claims payable						5,434
Net pension liability and related deferred outflows and inflows	1,031	1,389	1,147	6	3,573	3,485
Total OPEB liability and related deferred outflows and inflows	211	203	92	4	510	439
Total adjustments	53,323	9,102	18,945	1,093	82,463	24,249
Net cash provided by (used for) operating activities	$ 82,680	12,179	56,525	(175)	151,209	38,007
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:						
Contributed assets	$		6,536		6,536	
Amortization of bonds premiums	5,817		388		6,205	
Issuance of reimbursement agreements			2,293		2,293	
Capital grants receivable	8,689				8,689	
Amortization of deferred outflows and inflows - bonds	2,405		(54)		2,351	
Capital assets purchases included in accrued liabilities and warrants payable	6,469				6,469	

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	Agency	Investment Trust	Redevelopment Obligation Retirement Fund - Successor Agency
Assets:			
Cash and investments	$ 246,821	3,507,083	12,427
Receivables, net of allowance for uncollectibles:			
Billed	1,971		
Interest	5,498		131
Intergovernmental	65		2,702
Prepaid items	183		
Buildings & improvements, infrastructure, equipment and intangibles, net			2,306
Total assets	$ 254,538	3,507,083	17,566
Liabilities:			
Warrants payable	$ 11,239		
Accrued liabilities	39,554		631
Intergovernmental payable	203,745		4,885
Other long-term liabilities			5,476
Loan due to County Public Financing Authority			
Due within one year			1,855
Due after one year			57,790
Total liabilities	$ 254,538		70,637
Net position (deficit) held in trust		$ 3,507,083	(53,071)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SACRAMENTO
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Investment Trust	Redevelopment Obligation Retirement Fund - Successor Agency
Additions:		
Property taxes	$	7,345
Contributions on pooled investments	10,809,895	
Use of money and property	79,597	124
Total additions	10,889,492	7,469
Deductions:		
Distributions from pooled investments	10,546,722	
Services and supplies		1,072
Other		(2,054)
Total deductions	10,546,722	(982)
Changes in net position	342,770	8,451
Net position (deficit) held in trust, beginning of year	3,164,313	(61,522)
Net position (deficit) held in trust, end of year	$ 3,507,083	(53,071)

The notes to the basic financial statements are an integral part of this statement.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Sacramento (County or Sacramento County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The County's significant accounting policies are described below.

Scope of Financial Reporting Entity

The County reporting entity includes all significant organizations, departments, and agencies over which the County is considered to be financially accountable. The County is a political subdivision of the State of California, and as such can exercise the powers specified by the Constitution and laws of the State of California. The County operates under a charter and is governed by a five-member Board of Supervisors (Board). In addition, as required by GAAP, the financial statements present the financial position of the County and its component units (entities for which the County is considered to be financially accountable).

Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these component units are combined with data of the primary government. All of the blended components have June 30 year-ends.

For the special districts and agencies listed below, the County Board of Supervisors is their governing board, or their governing boards are made up substantially of the Board of Supervisors. In addition, financial actions such as setting rates, adopting the annual budget, and determining the legal liability for the general obligation debt, if any, of most of the component units remain with the County.

Blended Component Units:

Lighting and Landscape Maintenance District Special Revenue Fund:
- County Service Area Number One
- Sacramento County Landscape Maintenance District

Park Districts and Park Service Areas Special Revenue Fund:
- Del Norte Oaks Park Maintenance District
- Mission Oaks Recreation and Park District
- Carmichael Recreation and Park District
- Sunrise Recreation and Park District
- County Service Area Number Four

Other Special Revenue Funds:
- Natomas Fire District
- County Service Area Number Ten
- Water Agency Special Revenue Funds
- In-Home Support Services Authority
- Solid Waste Authority

Enterprise Fund:
- Water Agency Water Supply

The *Tobacco Securitization Authority (Authority) of Northern California* is a public entity legally separate and apart from the County, and is considered a blended component unit of the County. The Authority was created by a Joint Powers Agreement effective July 15, 2001, between the County and the County of San Diego. The Authority was created for the purpose of empowering the Authority to finance the payments received by the County from the nation-wide Tobacco Settlement Agreement (Payments) for such purposes, but not limited to, issuance, sale, execution and delivery of all Bonds secured by those Payments or the lending of money based thereof, or to securitize, sell, purchase or otherwise dispose of some or all of such payments of the County. The Authority's board consists of two members of the County's Board of Supervisors and one member from San Diego County's Board of Supervisors, therefore the County has voting majority for the Authority.

The debts and liabilities of the Authority belong solely to it, and neither the Counties of Sacramento or San Diego are in any way responsible for those liabilities. The Authority meets the criteria set forth in GAAP as a blended component unit of the County because the Authority is providing services solely to the County and is accounted for in debt service and special revenue funds.

The *Sacramento County Public Financing Authority (PFA)* is a public entity created by a Joint Exercise of Powers Agreement effective as of November 2003 between Sacramento County and the Sacramento Housing and Redevelopment Agency (Agency). The PFA is a public entity legally separate and apart from the County, and is considered a blended component unit of the County. The County Board of Supervisors sits as the Board of Directors of the PFA. The PFA was created for the purpose of obtaining financing for various designated redevelopment and housing projects in the greater Sacramento area. The debts and liabilities of the PFA belong solely to it, thus the County is in no way responsible for those liabilities.

The PFA established an agreement with the Agency in which the Agency would pay back to the PFA those debt proceeds advanced to them. On December 29, 2011, the California Supreme Court upheld California Assembly Bill X1 26 (ABX1 26) that provides for the dissolution of all redevelopment agencies. On January 24, 2012, the County Board of Supervisors elected to become the Successor Agency for the former County redevelopment agency in accordance with the ABX1 26 as part of County resolution number 2012-0051. As such, the Agency obligations with the PFA were transferred to the County Redevelopment Successor Agency Private Purpose Trust Fund.

The *Public Facilities Financing Corporation (Corporation)* was created by the County for the purpose of facilitating the financing of public projects within the County. The Board of Supervisors appoints the governing board of the Corporation, which is responsible for the fiscal and administrative activities of the Corporation. For financial reporting purposes, capitalized leases between the County and the Corporation have been eliminated and the financial data of the Corporation has been included within the County's reporting entity and is accounted for in a debt service fund.

The *Successor Agency Private Purpose Trust Fund* was created in accordance of ABXI 26 to transfer all of the assets, liabilities, and obligations of the former redevelopment agency. The County's Board of Supervisors elected to be appointed as the Successor Agency to the former Redevelopment Agency (RDA) of the County. The Successor Agency to the RDA accounts for the payments due for enforceable obligations, performance of obligations, and disposal of all assets of the former redevelopment agency. The Successor Agency to the RDA activities are included as Private Purpose Trust fund.

Discretely Presented Component Unit:
Sacramento County First 5 Commission (First 5 Commission) is a discretely presented component unit. The Commission is administered by a governing board of seven members, who are appointed by the Board. Its purpose is to develop, adopt, promote and implement early childhood development programs in the County, funded by additional State taxes on tobacco products approved by California voters via Proposition 10 in November 1998. The Commission is presented as a discretely presented component unit of the County because, although the Board has no control over the revenues, budgets, staff, or funding decisions made by the Commission, the appointed Commission members serve at the will of the Board members who appoint them. A separate stand-alone annual financial report can be obtained by writing to the Sacramento County First 5 Commission, 2750 Gateway Oaks Drive, Suite 330, Sacramento CA 95833.

Excluded from the Reporting Entity:
The *Sacramento County Employees' Retirement System* (SCERS) is fiscally independent of the County and is governed by a separate Board of Retirement and not by the County Board of Supervisors, thus the County cannot impose it's will.

The reporting entity excludes certain separate legal entities. Some of these entities may have "Sacramento" in their title or are required to keep their cash and investments with the County Treasurer or receive property tax apportionments from the County. Examples are school districts, community college districts, cities, joint powers agencies, and a variety of special-purpose independent districts for cemeteries, fire, recreation and parks, and reclamation. These entities are autonomous organizations with their own governmental powers and constituencies. The Board of Supervisors does not appoint a voting majority of their boards. Accordingly, they are not included in the accompanying basic financial statements.

Certain assets, principally cash and investments, of these separate legal entities are held by the County in a custodial capacity and are included in the investment trust fund.

Joint Power Authorities or Jointly Governed Organizations

The County of Sacramento is a member of several Joint Powers Agencies (JPA) and/or jointly managed agencies. These are:

AGENCY	PURPOSE
Sacramento Area Council of Governments	Regional planning (primarily transportation)
Sacramento Employment and Training Agency	Coordination of Federal and State funding for job programs
Sacramento Area Flood Control Agency	Regional flood control issues
Sacramento Metropolitan Cable Television Commission	Administration of the franchising and licensing of cable TV services
Sacramento Housing and Redevelopment Agency	Housing projects
Sacramento Transportation Agency	Administration of County-wide transportation projects
Local Agency Formation Commission	Formation of districts and cities within the County
Sacramento/Placerville Transportation	Acquisition of rail lines for a transportation corridor
Sacramento Metropolitan Air Quality Management District	Monitor and enforce air quality
Library Joint Powers Authority	Library operations
Sacramento Regional County Sanitation District	Waste water conveyance, treatment and disposal
Sacramento Area Sewer District	Sewer Service
Southeast Connector JPA	Planning and development of the Elk Grove-Rancho Cordova-El Dorado Connector Project
South Sacramento Conservation Agency	Administration of South Sacramento Habitat Conservation Plan
River City Regional Stadium Financing Authority	Finance the acquisition and construction of River Cats Stadium
Sacramento Central Groundwater Authority	Regulate and manage groundwater within the Central Basin of Sacramento County

The Sacramento County Director of Finance acts as the Auditor-Controller and as the Treasurer and depository for all the above agencies except for the Sacramento Housing and Redevelopment Agency, Library Joint Powers Authority, and Sacramento Metropolitan Air Quality Management District. Funding, if any, for each of these agencies from the County is based on annual appropriations. The County Board does not appoint a voting majority and cannot impost its will. The County has no continuing financial liability and does not expect any financial benefit/burden from its participation in any of these agencies. Separate financial statements of the JPAs can be obtained by contacting the individual agencies or the County Department of Finance, Auditor-Controller Division.

Joint Ventures

The Sacramento County Water Enterprise Fund entered into a joint venture in 2002 with the East Bay Municipal Utility District establishing the Freeport Regional Water Authority (FRWA). The purpose of this partnership was to construct a joint regional surface water supply project on the Sacramento River near the community of Freeport and adjacent to the City of Sacramento. The Sacramento County Water Enterprise Fund has no equity interest in the FRWA. Copies of the FRWA's financial statements may be obtained from the FRWA Authority Treasurer, MS #801, P.O. Box 24055, Oakland, CA 94623-1055.

Government-Wide and Fund Financial Statements Presentation

Government–wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the primary government, the County and its component units. These statements include financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the County's business-type activities and each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:
The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category: governmental, proprietary and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental (special revenue, capital projects and debt service) and proprietary funds (Parking Enterprise and County Transit) are separately aggregated and reported as non-major funds.

The County reports the following major governmental fund:
The General fund is used to account for all financial resources except those legally required or designated by the Board to be accounted for in another fund.

The County reports the following major enterprise funds:
The Airports fund is used to account for the facilities of the Airports, including the International, Executive, Franklin Field, and Mather airports.

The Solid Waste fund is used to account for the costs of the Solid Waste collection business, including the Solid Waste disposal site and transfer stations.

The Water Agency fund is used to account for the construction of major water supply treatment, transmission and distribution as well as the retail service provider of water to a portion of the unincorporated area.

The County also reports the following fund types:
Internal service funds are used to account for the financing of goods, services, or facilities provided by one department to other departments of the County, or to other governmental units, on a cost-reimbursement basis. Internal service funds include: General Services; Self-Insurance funds covering general liability and property damage; workers' compensation and unemployment; Regional Radio Communication for emergency communications services; and Department of Technology.

The investment trust fund accounts for the assets of legally separate entities that deposit cash with the County Treasury. These entities include school districts, other independent special districts governed by local boards, regional boards and authorities, and pass through for property tax collections. These funds represent assets, primarily cash and investments, held by the County in trust for these participants.

Agency funds account for the assets held by the County as an agent for various individuals, private organizations and other governmental agencies. These include Law Enforcement, Unapportioned Tax Collection, and others.

The private-purpose trust fund is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the Redevelopment Obligation Retirement Fund - Successor Agency. The fund was established effective February 1, 2012.

Measurement Focus and Basis of Accounting
The government-wide, proprietary, Investment Trust and the Successor Agency Private Purpose Trust fund financial statements are reported using the economic resources measurement focus and accrual basis accounting. The Agency fiduciary fund financial statements also are reported using the accrual basis of accounting, however they have no measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes

place. Non-exchange transactions, in which the County gives or receives value without directly receiving or giving equal value in exchange, include property and sales taxes, grants, entitlements and donations. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Property taxes are recognized as revenues in the year for which they are levied, even if not collected within the availability period.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Taxes (other than property taxes), interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within one hundred and twenty days of the end of the accounting period so as to be both measurable and available. Licenses, permits, fines, forfeitures and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Property taxes are accrued when their receipt occurs within sixty days of the end of the accounting period. Expenditures are generally recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. Capital assets are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in-lieu of taxes and various other charges. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for services including: water, solid waste, airline fees and charges, parking fees and public transit fees. The principal operating revenues for the County's internal services funds are charges for customer services including: fleet operations, purchasing, printing services, central stores, mail services, building maintenance, surplus property disposal, telecommunications, special district formation, real estate, surveyor, self-insurance for: liability and property damages, workers' compensation claims and unemployment claims, emergency communication functions, telecommunication and data processing. Operating expenses for enterprise funds and internal services funds include cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expenditure/expense is incurred for purposes which both restricted and unrestricted net position components are available, the County will first apply restricted resources and then unrestricted resources.

Implementation of New Governmental Accounting Standards

GASB Statement No. 83, *Certain Asset Retirement Obligations*

Effective July 1, 2018, the County implemented GASB Statement No. 83. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. There was no material impact to the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
Effective July 1, 2018, the County implemented GASB Statement No. 88. The objective of this Statement is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Refer to Note 8 for additional disclosures.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
Effective July 1, 2018, the County implemented GASB Statement No. 89. The objectives of this Statement are 1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and 2) to simplify accounting for interest cost incurred before the end of a construction period. There was no material impact to the financial statements.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the County considers all short-term highly liquid investments (including restricted assets) with maturities of three months or less at the time of purchase to be cash equivalents. Investments held in the County Treasurer's Pool are available on demand to individual entities, thus they are considered highly liquid and cash equivalents for purposes of the statements of cash flows.

Property Taxes
The County is responsible for the assessment, collection, and apportionment of property taxes for all taxing jurisdictions within Sacramento County including the cities, school districts, and various special districts. Property taxes are payable in equal installments, November 1 and February 1. They become delinquent after December 10 and April 10, respectively. The assessment date for FY 2018-19 is July 1 and the lien date is January 1 (unsecured property taxes are paid in one installment August 31). The tax collections are recorded in the Unapportioned Tax Collection Agency fund prior to apportionment.

Beginning in FY 1993-94, the County Board of Supervisors adopted a resolution authorizing the "Alternative Method of Property Tax Apportionment" (Teeter Plan), under which the County converted to an accrual method of apportioning secured property taxes. Under the Teeter Plan, the County purchases the annual delinquent secured property taxes from the local taxing entities and selected special assessment districts in Sacramento County. The financing of the purchase of the delinquent secured property taxes under the Teeter Plan has been accomplished by five-year legal, secured medium-term note obligations of the County,which have been purchased by the Treasurer's Pool. The terms of the notes include a variable interest rate, adjusted on a quarterly basis, equal to the rate of interest on the U.S. Treasury Note for the number of years corresponding to the remaining term of each note.

For financial reporting purposes, a debt service fund was created to account for the proceeds, subsequent purchase of delinquent taxes of the taxing entities, and the accumulation of financial resources to be used to repay the notes. Collections on the delinquent secured taxes including interest and penalties purchased from the various taxing entities will be the primary funding source. The delinquent secured taxes are recorded as a long-term receivable in the debt service fund.

A description of the debt related to the Teeter Plan can be found in Note 8 - Long-Term Obligations, which begins on page 75.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an expense until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. A deferred inflow of resources is an acquisition of net assets that applies to a future reporting period and will not be recognized as a revenue until then.

In addition to liabilities, the balance sheet of governmental funds reports a separate section for deferred inflows of resources. Unavailable revenue reported consists primarily of revenues which have been earned but was not received within the County's 120 day availability policy. This separate financial statement element represents an acquisition of net assets that applies to future period(s) and so will not be recognized as revenue until that time.

Intergovernmental Revenues

The federal government and State of California reimburses the County for costs incurred on certain capital asset construction projects under capital grant agreements. Amounts claimed under such grants are credited to intergovernmental revenues if the project is being administered by a capital projects fund or to capital contributions revenue if administered by a proprietary fund. Additionally, the County receives reimbursement from the federal government and State of California for other programs, such as public assistance, administered by the County. These reimbursements are recorded in the fund administering the program as intergovernmental revenues with the related program costs included in expenditures.

The respective grant agreements generally require the County to maintain accounting records and substantiating evidence sufficient to determine if all costs incurred and claimed are proper and that the County is in compliance with other terms of the grant agreements. These records are subject to audit by the appropriate government agency. Any amounts disallowed will reduce future claims or be directly recovered from the County.

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either due to/from other funds or advances to/from other funds. Any remaining balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. Advances to other funds reported in the fund statements are classified as nonspendable fund balance in governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Inventories

Inventory for governmental funds consist of pharmacy supplies and jail inventory which consists of clothing for inmates and supplies for jails and jail staff. Inventories are valued at cost, using the first-in/first-out method. Governmental fund inventories are recorded as expenditures when consumed rather than when purchased. Inventories of supplies of proprietary funds are recorded at cost computed by the weighted average method. Proprietary fund inventories are comprised of materials and supplies held for consumption.

Prepaid Items

Payments made for services that will benefit future accounting periods are recorded as prepaid items. Prepaid items, as reported in the governmental funds balance sheet, are offset by a nonspendable fund balance account to indicate such amounts are not in spendable form. The cost of prepaid items is recorded as an expenditure/expense when consumed rather than when purchased.

Restricted Assets

Certain proceeds of proprietary fund obligations, as well as certain other resources set aside for obligation repayment and future construction or acquisition of assets, are classified as restricted assets on the statement of net position. These amounts are restricted as their use is limited by applicable bond covenants or other external requirements.

Capital Assets

Capital assets, which include land, easements, structures and improvements, infrastructure, machinery and equipment, computer software, water facility rights, and other intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than $5 and an estimated useful life in excess of four years except for computer software, computer and peripheral equipment which have an estimated useful life of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The County has not reported infrastructure acquired prior to 1980. Donated capital assets are recorded at acquisition cost at the date of donation subsequent to the implementation of GASB Statement No. 72. Prior to this implementation, donated capital assets were recorded at fair value. Capital outlay is recorded as expenditures of the general, special revenue, and capital projects funds and as assets in the proprietary funds and government-wide financial statements to the extent the County's capitalization threshold is met. Amortization of assets acquired under capital leases are included in depreciation and amortization. Structures and improvements, infrastructure, equipment and intangible assets of the primary government, are depreciated using the straight line method over the following estimated used lives:

Assets	Years
Buildings and Improvements	4 to 50
Infrastructure	20 to 50
Equipment	3 to 25
Computer Software	3 to 10
Water Facility Rights	40 to 50

Compensated Absences

County employees are granted vacation in varying amounts based on classification and length of service. Additionally, certain employees are allowed compensated time-off in lieu of overtime compensation and/or for working on holidays.

Sick leave is earned by regular, full-time employees. Any sick leave hours not used during the period are carried forward to future years, with no limit to the number of hours that can be accumulated. Any sick leave hours unused at the time of an employee's retirement are added to the actual period of service when computing retirement benefits. The County does not pay accumulated sick leave to employees who terminate prior to retirement. It is the policy of the County to pay certain employees a portion of their sick leave at retirement.

The County accrues for compensated absences in the government-wide and proprietary fund statement for which they are liable to make payment. The liquidation of compensated absences occurs in the fund where the employee resides when the hours are used or upon retirement or termination from the County.

Long-Term Obligations

In the government-wide financial statements, proprietary fund and private purpose trust financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund or private purpose trust fund type statement of net position. Issuance costs, are expensed in the year incurred, with the exception of prepaid insurance.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs are recognized in the period issued. Bond proceeds are reported as other financing sources. In the proprietary funds, bond premiums and discounts are amortized on a straight-line basis over the life of related debt.

Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

- Nonspendable fund balance – amounts that cannot be spent because they are either a) not in spendable form; or b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on their use that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (Resolution by the Board of Supervisors), and that remains binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance – amounts that are constrained by the County's intent to be used for specific purposes on an annual basis. The intent can be established at either the highest level of decision-making (Resolution by Board of Supervisors), or by a body or an official designated by the Board of Supervisors for that purpose. The Board of Supervisors has adopted an accounting policy whereby the authority to assign fund balance to specific purposes is delegated to the County Executive in consultation with the County Director of Finance. This is also the classification for residual funds in the County's special revenue, capital projects, and debt service funds.
- Unassigned fund balance – the residual classification for the County's General Fund that includes amounts not contained in the other classification. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Policy

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the County's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the County's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

The Board of Supervisors, as the highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken (resolution). These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use through the same type of formal action taken to establish the commitment. Board action to commit fund balance needs to occur within the fiscal reporting period; but the amount, if any, which will be subject to the constraint, may be determined at a subsequent period.

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net investment in Capital Assets* – This category groups all capital assets, including infrastructure and deferred outflows of resources, into one component of net position. Accumulated depreciation, unspent proceeds, outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets, and deferred inflows of resources reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the County, not restricted for any project or other purpose, or not related to the net investment in capital assets.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Liability/Property, Workers Compensation and Department of Technology Internal Service Funds (ISF) Deficit Net Position

As of June 30, 2019, the Liability/Property, Workers' Compensation and Department of Technology ISF have deficit net position of $35,193, $84,050 and $18,662, respectively. These deficits in net position represent the County's actuarially determined claims liability for the liability/property and workers' compensation. The County is collecting additional amounts from the departments to eliminate the unfunded liability. The deficit in the Department of Technology ISF is primarily the result of the fund's net pension liability.

Investments/Fair Value

The County categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Pension

In the government-wide financial statements, retirement plans are required to be recognized and disclosed using the accrual basis of accounting (See Note 14 and the required supplementary information (RSI) section immediately following the Notes to Basic Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting

In general, the County recognizes a net pension liability which represents the County's proportional share of the excess of the total pension liability over the fiduciary net position of the pension plan reflected in the actuarial report provided by SCERS. The net pension liability is measured as of the County's prior fiscal year-end. Employer pension contributions made subsequent to the measurement period are reported as deferred outflows of resources.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's pension plan with SCERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by SCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Projected earnings on pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings, changes in assumptions, and changes in proportions are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional basis five-year period of recognition.

Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the accrual basis of accounting. The OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

(amounts expressed in thousands)

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balances of the County's governmental funds of $773,168 differs from net position of governmental activities of $(484,745) because of the the long-term economic focus in the statement of net position versus the current financial resources measurement focus in the governmental fund balance sheet. The effect of the differences is illustrated below:

Balance Sheet/Statement of Net Position

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Governmental Activities Statement of Net Position
Assets:					
Current assets:					
Cash and investments	$ 690,703		228,904		919,607
Receivables, net of allowance for uncollectibles:					
Billed	72,780		1		72,781
Interest	8,244		62		8,306
Intergovernmental	239,627		132		239,759
Prepaid items	3,881		533		4,414
Due from other funds/internal balances	470		(35,613)	(230)	(35,373)
Inventories	1,358		1,232		2,590
Total current assets	1,017,063		195,251	(230)	1,212,084
Noncurrent assets:					
Loan receivable from County Successor Agency	59,645				59,645
Loan receivable from City Successor Agency	5,695				5,695
Long-term receivables	34,315		88		34,403
Prepaid bond insurance		4,143			4,143
Long-term advances to other funds	240		18,549	(18,789)	
Capital assets:					
Land and other nondepreciable assets		185,707			185,707
Buildings & improvements, infrastructure, equipment and intangibles, net		1,461,118	57,436		1,518,554
Total capital assets		1,646,825	57,436		1,704,261
Total noncurrent assets	99,895	1,650,968	76,073	(18,789)	1,808,147
Total assets	1,116,958	1,650,968	271,324	(19,019)	3,020,231
Deferred outflows of resources:					
Accumulated decrease in fair value of SWAP agreement		80,729			80,729
Deferred amounts on refunding		27,952			27,952
Deferred outflows related to pensions		603,976	32,376		636,352
Deferred outflows related to OPEB		10,943	553		11,496
Total deferred outflows of resources		723,600	32,929		756,529
Total assets and deferred outflows of resources	1,116,958	2,374,568	304,253	(19,019)	3,776,760

(amounts expressed in thousands)

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Governmental Activities Statement of Net Position
Liabilities:					
Current liabilities:					
Warrants payable	$ 22,753		5,722		28,475
Accrued liabilities	112,054		8,362		120,416
Intergovernmental payable	22,712		248		22,960
Accrued interest payable		17,964			17,964
Due to other funds	470			(470)	
Current portion of insurance claims payable			38,711		38,711
Current portion of long-term debt obligations		116,984	613		117,597
Unearned revenue	73,885		5,374		79,259
Total current liabilities	231,874	134,948	59,030	(470)	425,382
Noncurrent liabilities:					
Insurance claims payable			201,414		201,414
Long-term debt obligations		1,528,927	10,456		1,539,383
Derivative instrument liability		80,729			80,729
Net pension liability		1,579,992	84,828		1,664,820
Total OPEB liability		157,709	10,644		168,353
Long-term advances from other funds	18,549			(18,549)	
Total noncurrent liabilities	18,549	3,347,357	307,342	(18,549)	3,654,699
Total liabilities	250,423	3,482,305	366,372	(19,019)	4,080,081
Deferred inflows of resources:					
Unavailable revenue	93,367	(93,367)			
Deferred inflows related to pensions		147,043	16,676		163,719
Deferred inflows related to OPEB		15,889	1,816		17,705
Total deferred inflows of resources	93,367	69,565	18,492		181,424
Total liabilities and deferred inflows of resources	343,790	3,551,870	384,864	(19,019)	4,261,505
Fund balances/net position:					
Nonspendable	$ 18,319			(18,319)	
Restricted	679,546			(679,546)	
Assigned	75,303			(75,303)	
Net investment in capital assets		1,646,825	57,436	(289,140)	1,415,121
Restricted				679,546	679,546
Unrestricted		(2,824,127)	(138,047)	382,762	(2,579,412)
Total fund balances / net position (deficit)	$ 773,168	(1,177,302)	(80,611)		(484,745)

(amounts expressed in thousands)

(a) Explanation of certain differences between the governmental funds balance sheet and the governmental activities statement of net position:

(1) When capital assets (land, infrastructure, building, equipment, and intangibles) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the County as a whole.

Cost of capital assets	$ 4,361,782
Accumulated depreciation	(2,714,957)
Total	1,646,825

Accrued interest payable	(17,964)
Prepaid bond insurance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net position.	4,143

Long-term liabilities and related deferred outflows of resources applicable to the County's governmental activities are not due and payable in the current period or represent current financial resources and accordingly, are not reported as fund liabilities. All liabilities, both current, long-term and deferred outflows, are reported in the statement of net position.

Compensated absences	(110,937)
Bonds, notes, COPs, capital leases, other payables	(1,346,150)
Derivative instrument liability	(80,729)
Accreted interest	(101,642)
Accumulated decrease in fair value of SWAP agreement	80,729
Loss on refunding	27,952
Litigation liability	(87,182)
Total	(1,617,959)
Net Pension Liability:	
Deferred outflows related to pensions	603,976
Net pension liability	(1,579,992)
Deferred inflows related to pensions	(147,043)
Total	(1,123,059)
Total OPEB Liability:	
Deferred outflows related to OPEB	10,943
Total OPEB liability	(157,709)
Deferred inflows related to OPEB	(15,889)
Total	(162,655)

(amounts expressed in thousands)

Because the focus of governmental funds is on short-term financing, some deferred inflows of resources will not be available to pay for certain period expenditures.

Unavailable revenue	$ 93,367
Total	$ (1,177,302)

(2) Internal service funds are used by management to charge the costs of certain activities, related to general services, self-insurance, regional communications and department of technology to individual funds. The assets and deferred outflows, and liabilities and deferred inflows, of certain internal service funds are included in governmental activities in the statement of net position. $ (80,611)

The net change in fund balances for governmental funds of $(17,454), differs from the change in net position for governmental activities of $(47,699) reported in the statement of activities. The differences arise from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated on next page.

Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities

	Total Governmental Funds	Capital-Related Items (3)	Long-term Revenues, Expenses (4)	Internal Service Funds (5)	Reclassifications and Eliminations	Statement of Activities
Revenues:						
Taxes:						
Property	$ 525,232					525,232
Transient occupancy	6,699					6,699
Sales / use taxes	96,730					96,730
Use of money and property	29,960			947		30,907
Licenses and permits	63,338				(63,338)	
Intergovernmental	1,684,433		19,860		(1,704,293)	
Charges for sales and services	274,573				104,119	378,692
Operating grants and contributions					1,416,772	1,416,772
Capital grants and contributions					29,327	29,327
Grants and contributions not restricted to specific programs					264,231	264,231
Contributions from property owners	6,037				(6,037)	
Fines, forfeitures and penalties	40,781				(40,781)	
Pledged tobacco settlement	14,555					14,555
Miscellaneous	115,218		3,264			118,482
Total revenues	2,857,556		23,124	947		2,881,627

(amounts expressed in thousands)

Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities

	Total Governmental Funds	Capital-Related Items (3)	Long-term Revenues, Expenses (4)	Internal Service Funds (5)	Reclassifications and Eliminations	Statement of Activities
Expenditures/expenses						
Current:						
General government	$ 190,191	9,634	3,370	(1,414)		201,781
Public assistance	675,857	409	18,232	(2,339)		692,159
Public protection	918,419	12,114	81,443	(5,431)		1,006,545
Health and sanitation	693,869	2,648	19,625	(1,975)		714,167
Public ways and facilities	138,291	33,514	2,469	(723)		173,551
Recreation and culture	39,132	1,956	868	(123)		41,833
Education	1,367	254	6	(66)		1,561
Capital outlay	37,196	(37,196)				
Debt service:						
Principal	111,160		(111,160)			
Bond issuance costs	275				(275)	
Interest and fiscal charges	93,778		7,468	1,261	1,696	104,203
Total expenditures/expenses	2,899,535	23,333	22,321	(10,810)	1,421	2,935,800
Excess (deficiency) of revenues over (under) expenditures/expenses	(41,979)	(23,333)	803	11,757	(1,421)	(54,173)
Other financing sources (uses):						
Transfers in	181,761			1,000		182,761
Transfers out	(164,981)			(11,306)		(176,287)
Issuance of long-term debt	20,372		(20,372)			
Refunding debt issued	89,125		(89,125)			
Premiums on debt issue	11,659		(11,659)			
Payment to refunded bonds escrow agent	(113,411)		111,990		1,421	
Total other financing sources (uses)	24,525		(9,166)	(10,306)	1,421	6,474
Changes in fund balances/net position	(17,454)	(23,333)	(8,363)	1,451		(47,699)
Fund balances/net position (deficit) - beginning	790,622	1,670,158	(2,815,764)	(82,062)		(437,046)
Fund balances/net position (deficit) - ending	$ 773,168	1,646,825	(2,824,127)	(80,611)		(484,745)

(amounts expressed in thousands)

(b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the governmental statement of activities.

(3) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of depreciation expense charged for the year. Donated assets result in an increase in net position.

Capital expenditures	$ 76,178
Depreciation expense	(98,052)
The net effect of various miscellaneous transactions involving capital assets (sales, trade-in, disposals)	(1,459)
Total	$ (23,333)

(4) Bond issuance costs are expended in governmental funds when paid, and prepaid insurance is capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities. $ (893)

Repayment of bond principal is reported as an expenditure in the governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the governmental activities, however, the principal payments reduce the liabilities in the statement of net position. The County's bonded debt was reduced because principal payments were made to bond holders and to escrow agent for refunded bonds:

Certificate of participation	127,835
Teeter notes	20,530
Revenue bonds	5,315
Pension obligation bonds	63,317
Accreted interest	6,153
Capital leases obligations	1,447
Litigation liability	6,438
Other long-term debt	88
Total	231,123

(amounts expressed in thousands)

(4) Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the governmental activities statements, however, issuing debt increases long-term liabilities in the statement of net position and do not affect the statement of activities. Proceeds were received from:

Teeter notes	$ (20,372)
Certificate of participation	(89,125)
Issuance premium	(11,659)
Total	(121,156)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in compensated absences	(3,258)
Accreted interest	(3,573)
Amortization of deferred amount on refunded debt	(4,067)
Amortization of issuance premiums/discounts	1,495
Total	(9,403)

Net effect of long-term debt and related items	100,564
Changes in net pension liability and related deferred inflows/outflows	(120,684)
Changes in total other postemployment benefits (OPEB) liability and related deferred inflows/outflows	(8,597)
Some revenues will not be collected within the County's availability period, and therefore are reported as unavailable revenue in the governmental funds. Deferred inflows of resources decreased by this amount during the year.	23,124
Increase in accrued interest	(1,877)
Total	$ (8,363)

(5) Internal service funds are used by management to charge the costs of certain activities, related to general services, self-insurance, regional communications and department of technology to individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.	$ 1,451

NOTE 3 - BUDGETARY PRINCIPLES

As required by the laws of the State of California, the County prepares and legally adopts a final balanced operating budget on or before August 30 of each fiscal year. The Board of Supervisors may, by resolution, extend on a permanent basis or for a limited period, the date from August 30 to October 2. The final budget for FY 2018-19 was adopted on September 5, 2018. Until the adoption of a final balanced budget, operations were governed by the proposed budget approved by the Board of Supervisors in June 2018. Public hearings were conducted on the proposed final budget to review all appropriations and the sources of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in financing requirements.

Operating budgets are adopted for the General Fund, special revenue funds, debt service funds, and capital projects funds on the modified accrual basis of accounting. Budgetary control and the legal level of control are at the budget unit and object level, which classifies expenditures by organizational unit, and by type of goods purchased and services obtained. The statement/schedules of revenues and expenditures - budget and actual presents revenues at the source level and expenditures at the function level. Negative variances on these statements are not indicative of the County's legal level of control. The Inmate Welfare Special Revenue Fund is not subject to the California Budget Act and does not have a formally adopted budget. The Tobacco Securitization Authority of Northern California Special Revenue and Debt Service Funds and the Sacramento County Public Financing Authority Debt Service Fund likewise do not have a formally adopted budget. Therefore, no budget and actual schedules are included for those funds in the Combining and Individual Fund Statement and Schedules.

It is not feasible to compare budget to actual data at the object level in this report. Therefore, this information is contained in a separate report prepared by the Department of Finance, Auditor-Controller Division, titled “Countywide Expenditure Status Report.” Significant amendments, appropriation transfers between departments or funds, and transfers from contingencies must be approved by the Board of Supervisors. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board of Supervisors.

During FY 2018-19 the original adopted budget was amended by the Board of Supervisors. The final budget data contained in the General Fund's budget and actual statement, as well as the budget and actual schedules for the nonmajor governmental funds reflects the effect of all approved budget amendments. During FY 2018-19, the appropriation limit for the FY 2018-19 budget year was reviewed and determined to be calculated in accordance with Article XIIIB of the California Constitution.

Encumbrance appropriations lapse at the end of the fiscal year with no provisions made to include in the governmental funds restricted, committed or assigned fund balance for following year re-appropriation. Expenditures associated with the encumbrances anticipated to be paid in the next year will be included as part of the following fiscal year budget approval process.

NOTE 4 - CASH, INVESTMENTS, AND RESTRICTED ASSETS

All investments are reported on the statement of net position/balance sheet, at fair value, except for the investment agreement(s) and certain money market mutual funds, which are carried at net asset value. The cash and investment pool (Treasurer’s Pool) is available for use by all funds. The portion of this pool applicable to each fund type is displayed on the statements of net position/balance sheets as “cash and investments”. The share of each fund in the pooled cash account is separately accounted for and interest earned, net of related expenses, is apportioned quarterly and at the end of the fiscal year based on the relationship of its average daily cash balance to the total of the pooled cash and investments. The apportionment due to the internal service funds and certain agency funds accrues to the benefit of the General fund. The County, acting in a fiduciary capacity, invests bond proceeds in accordance with long-term obligation covenants. The Treasurer’s Pool and funds managed in a fiduciary capacity, are subject to oversight by the Treasury Oversight Committee. The value of pool shares that may be withdrawn is determined on an amortized cost basis, which differs from fair value. The County has not provided or obtained any legally binding guarantees during the fiscal year to support the value of pool shares. The County does not permit any voluntary participation in the Treasurer’s Pool.

A separately issued report of the County Treasurer’s Internal and External Pools is available at http://www.finance.saccounty.net/Investments/Pages/Reports.aspx.

(amounts expressed in thousands)

Cash, investments, and restricted assets as shown on the basic financial statements at June 30, 2019, are as follows:

Government-wide statement of net position:	
Cash and investments	$ 1,285,585
Restricted cash and investments	38,981
Restricted assets, included in noncurrent assets	138,791
Fiduciary funds statement of net position:	
Agency	246,821
Investment Trust	3,507,083
Redevelopment Obligation Retirement Fund - Successor Agency	12,427
Discretely presented component unit (First 5 Commission)	28,486
Total cash, investments, and restricted assets including interest receivable	5,258,174
Less interest receivable included in restricted assets	(5,014)
Total cash, investments, and restricted cash and investments	$ 5,253,160

Investments Authorized by Debt Agreement

Cash and investments held by fiscal agents are restricted as to their use. It includes funds for the construction/acquisition of plant and equipment and funds designated by debt agreements as reserve funds and for servicing debt during the construction/acquisition of plant and equipment. At June 30, 2019, all cash held by fiscal agents was covered by federal depository insurance or by Securities Investor Protection Corporation insurance, or by collateral held by the County's financial institutions in the County's name.

Investments Authorized by Government Code and County Investment Policy

Investments by the County Treasurer are invested in accordance with Government Code Section 53600 et. seq. and 16429.1 and County Investment Policy. This Government Code requires that the investments be made with the prudent investor standard, that is, when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the trustee (Treasurer and staff) will act with care, skill, prudence, and diligence under the circumstances then prevailing.

The Government Code also requires that when following the investing actions cited above, that the primary objective of the trustee be to safeguard the principal, secondarily meet the liquidity needs of depositors, and then achieve a return on the funds under the trustee's control. Further, the intent of the Government Code is to minimize risk of loss on County held investments from:

a. Interest rate risk
b. Credit risk
c. Custodial credit risk
d. Concentration of credit risk

Specific restrictions of investments are noted below:

Government Code Section 53601 and the County Investment Policy lists the investments in which the Treasurer may purchase. These include bonds issued by the County; United States Treasury notes, bonds, bills or certificates of indebtedness; registered state warrants, supranational notes, treasury notes, or bonds of the State of California; registered treasury notes or bonds of any of the other 49 states in addition to California; bonds, notes, warrants or other forms of indebtedness of any local agency (Teeter Notes and Local Agency Investment Fund-LAIF) within California; obligations issued by banks for cooperatives, federal land banks, federal home loan banks, the Federal

Home Loan Bank Board or other instruments of, or issued by, a federal agency or United States, government sponsored enterprise; money market mutual funds (not to exceed 20 percent of the total portfolio); bankers acceptances (not over 180 days maturity, not to exceed 40 percent of the total portfolio); commercial paper (not to exceed 40 percent or total portfolio) of "prime quality" (the highest ranking provided by either Moody's investor services or Standard and Poor's Corporation) and these investments are further restricted as to capacity and credit rating of the company and are restricted as to a percentage of the whole portfolio and the dollar-weighted average maturity is also restricted; negotiable certificates of deposit issued by approved banks, not to exceed 30 percent of the total portfolio; repurchase and reverse repurchase agreements are permitted investments but are subject to stringent rules regarding term, value and timing, all put in place to minimize risk of loss; medium term notes, carry a maturity of no more than five years and rated "A" or better by a nationally recognized rating service, not to exceed 30 percent of the portfolio; shares of beneficial interest issued by a diversified management company subject to certain limitations; notes, bonds and other obligations that are at all times secured by a valid first priority security interest in securities of the types listed in Government Code Section 53651; mortgage pass-through securities and other mortgage and consumer receivable backed bonds, not to exceed maturity of five years, subject to the credit rating of the issuer and not to exceed 20 percent of the portfolio; shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized previously.

In addition to the restrictions and guidelines cited in the Government Code, the County Board of Supervisors annually adopts an "Annual Investment Policy for the Pooled Investment Fund" (Investment Policy). The Investment Policy is prepared by the Department of Finance and is based on criteria cited in the Government Code. The Investment Policy adds further specificity to investments permitted, reducing concentration within most permitted investment types and reducing concentration of investments with any broker, dealer or issuer.

The County was in full compliance with its own more restrictive Investment Policy, and therefore was also in compliance with the above cited Government Code sections.

Note: The investments in guaranteed investment contracts are authorized within bond documents related to debt issuances. These funds are identified as nonpooled investments.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. Under the County's Investment Policy the dollar-weighted average maturity on all securities shall be equal to or less than three years. As of June 30, 2019, of the County's $5.3 billion in investments held by the Treasurer and $27 million held by fiscal agents, over 70.8 percent of the investments have a maturity of six months or less. The weighted average days to maturity for the entire portfolio was 320 days.

Credit Risk – This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. The County is permitted to hold investments of issuers with a short-term rating of superior capacity and a minimum long-term rating of upper medium grade by the top two nationally recognized statistical rating organizations (rating agencies). For short-term rating, the issuers' rating must be A-1 and P-1, and the long-term rating must be A and A2, respectively by Standard & Poor's and Moody's rating agencies. In addition, the County is permitted to invest in the State's Local Agency Investment Fund, collateralized certificates of deposits and notes issued by the County that are not-rated. See schedule on page 62.

Custodial Credit Risk – This is the risk that in the event a financial institution or counterparty fails, the County would not be able to recover the value of its deposits and investments. As of June 30, 2019, the County has cash deposits with financial institutions in excess of the federal depository insurance limits of $250,000 and remaining cash deposits were collateralized by the pledging institutions as required by California Government Code Section 53652.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the amount of investment in a single issuer. U.S. Treasury and agency securities are considered to be of the best quality grade, as such, there is no limitation on amounts invested in U.S. Treasury or agency securities per California Government Code. Investments in any one issuer (other than U.S. Treasury securities, money market mutual funds and external investment pools) that represent 5 percent or more of the total County investments, is as follows:

	Reported Amount
Federal Home Loan Banks	$ 794,035
International Bank for Reconstruction and Development	488,923
Inter-American Development Bank	294,673
Federal Farm Credit Bank	436,264

(amounts expressed in thousands)

The following schedule indicates the credit and interest rate risk at June 30, 2019. For purposes of this schedule, NR is defined as not rated. The credit ratings listed are for Moody's Investor Services and Standard and Poor's, respectively. Guaranteed investment contracts are subject to the credit rating disclosure requirements but are normally unrated.

	Credit Ratings	Under 30 Days	31-180 Days	Maturity 181-365 Days	1-5 Years	Over 5 Years	Amount
Imprest cash							$ 549
Cash in banks							8,635
In custody of Treasurer:							
Cash and cash deposits:							
Cash on hand							13
Cash in banks							77,026
Total cash and cash deposits in custody of the Treasurer							77,039
Investments held by Treasurer:							
Treasury bills	Aaa/AA+	$	66,102	21,971			88,073
Federal Farm Credit Bank	Aaa/AA+		99,863		251,955		351,818
Federal Farm Credit Bank discount notes	Aaa/AA+		64,833	19,613			84,446
Federal Home Loan Banks	Aaa/AA+	24,994	55,010	30,691	219,069		329,764
Federal Home Loan Banks discount notes	Aaa/AA+	192,615	254,000	17,656			464,271
Federal National Mortgage Association	Aaa/AA+		9,985	29,926	130,021		169,932
Federal Home Loan Mortgage Corporation discount notes	Aaa/AA+		4,996	34,854	9,858		49,708
State and local government securities	Aaa/AAA					3,567	3,567
Commercial paper	P-1/A-1+	424,637	950,130				1,374,767
Supranationals	Aaa/AAA		176,456	124,970	541,770		843,196
Supranationals discount notes	Aaa/AAA	56,440					56,440
Negotiable certificates of deposit	P-1/A-1+	315,035	790,324	30,001			1,135,360
Other assets held by Treasurer (primarily Teeter Plan notes)	NR		1,013		20,447		21,460
Local Agency Investment Fund	NR	65,000					65,000
Money market mutual funds	AAAm	79,327					79,327
Guaranteed investment contracts	NR					22,595	22,595
Total investments held by Treasurer		1,158,048	2,472,712	309,682	1,173,120	26,162	5,139,724
Total in custody of Treasurer							5,216,763
Investments held by fiscal agents:							
Money market mutual funds	AAA/Aaa	5,524					5,524
Money market mutual funds	Aaa/AAAm	21,689					21,689
Total investments held by fiscal agents		27,213					27,213
Total investments		$ 1,185,261	2,472,712	309,682	1,173,120	26,162	
Total cash and investments							$ 5,253,160

(amounts expressed in thousands)

Investment in State Investment Pool

The County is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the County's investment in this pool is reported at amounts based upon the County's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The following are condensed statements of net position and changes in net position for the Treasurer's Pool and Non-Pooled Funds at June 30, 2019:

Statement of Net Position	Treasurer's Pool	Non-Pooled Funds	Total
Net position held for pool participants	$ 4,430,063	786,700	5,216,763
Equity of internal pool participants	$ 1,561,208	148,472	1,709,680
Equity of external pool participants	2,868,855	638,228	3,507,083
Total equity	$ 4,430,063	786,700	5,216,763
Statement of changes in net position			
Net position at July 1, 2018	$ 4,077,255	635,807	4,713,062
Net changes in investments by pool participants	352,808	150,893	503,701
Net position at June 30, 2019	$ 4,430,063	786,700	5,216,763

A summary of the investments held by the Treasurer's Pool and Non-Pooled Funds at June 30, 2019, are as follows:

	Fair Value	Cost	Interest Rate Range (%)	Maturity Range
Governmental securities	$ 1,541,579	1,533,493	1.13-3.38	7/19-5/26
Supranationals	899,636	889,717	1.13-3.88	7/19-4/24
Commercial paper	1,374,767	1,366,458	2.13-2.81	7/19-11/19
Negotiable certificates of deposit	1,135,360	1,134,997	2.21-2.83	7/19-5/20
Other assets held by Treasurer (primarily Teeter Plan notes)	21,460	21,460	2.49	5/19-8/23
Local Agency Investment Fund	65,000	65,000	2.45	N/A
Money market mutual funds	79,327	79,327	.00-.45	N/A
Guaranteed investment contracts	22,595	22,595	5.3	5/39
Total investments held by Treasurer	$ 5,139,724	5,113,047		

Fair Value of Investments

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the County has the ability to access;

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the County's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the County's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the County's management. County management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to County management's perceived risk of that investment.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in governmental investment pools, such as LAIF are made on the basis of one dollar and not fair value. Accordingly, the fair value of the County's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The following is a description of the valuation methods and assumptions used by the County to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at June 30, 2019. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. County management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Market prices for assets held by the County Treasurer are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data or Bloomberg. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated fair value. When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.

For investments classified within Level 2 of the fair value hierarchy, the County's custodians generally use a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

Investments classified at Level 3 represent securities that are entirely owned by the County and have not traded publicly. The securities are priced using a yield-based matrix system or discounted cash flows technique, to arrive at an estimated fair value. Prices that fall between data points are interpolated.

The valuation of 2a7 Money Market Mutual funds held by the County Treasurer is at one-dollar net asset value (NAV) per share. The total fair value of these at June 30, 2019 was $79,327. The redemption frequency is daily and redemption notice period of intra-daily. This type of investment primarily invests in short-term U.S Treasury and government securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities).

The valuation of 2a7 Money Market Mutual Funds held by Fiscal Agents is at one-dollar NAV per share. The total value of these at June 30, 2019, was $27,213. The redemption frequency is daily and redemption notice period of intra-daily. This type of investment primarily invests in short-term U.S Treasury, government securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities), agency mortgage-backed securities, and short-term high quality municipal obligations that provide income exempt from federal and California state income tax and federal alternative minimum tax.

(amounts expressed in thousands)

At June 30, 2019, the County had the following recurring fair value measurements:

		Fair Value Measurement Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Treasury bills	$ 88,073		88,073	
Federal Farm Credit Bank (FFCB)	351,818		351,818	
Federal Home Loan Bank (FHLB)	329,764		329,764	
Federal National Mortgage Association	169,932		169,932	
FFCB discount notes	84,446		84,446	
FHLB discount notes	464,271		464,271	
Federal Home Loan Mortgage Corporation	49,708		49,708	
Supranationals	843,196		843,196	
Supranationals discount notes	56,440		56,440	
Commercial paper	1,374,767		1,374,767	
Negotiable certificates of deposits	1,135,360		1,135,360	
State and local government securities (SLGS)	3,567		3,567	
Other assets held by Treasurer (primarily Teeter Plan notes)	21,460			21,460
Total Investments by fair value level	4,972,802		4,951,342	21,460
Investments held by Treasurer not measured at fair value or subject to fair value hierarchy				
Local Agency Investment Fund	65,000			
Guaranteed investment contracts	22,595			
Total Investments Not Measured at Fair Value or subject to fair value hierarchy	87,595			
Investments held by Treasurer measured at NAV				
Money market mutual funds	79,327			
Total Investments held by Treasurer	5,139,724			
Investments held by fiscal agent measured at NAV				
Money market mutual funds	27,213			
Total Investments	$ 5,166,937			

(amounts expressed in thousands)

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 131,980	2,467	(719)	133,728
Construction in progress	41,795	23,656	(28,414)	37,037
Permanent easement	13,160	1,730	(14)	14,876
Intangible assets under project	66			66
Total capital assets not being depreciated	187,001	27,853	(29,147)	185,707
Capital assets, being depreciated:				
Buildings and improvements	925,595	19,353	(737)	944,211
Infrastructure	3,076,696	51,843		3,128,539
Equipment	287,289	25,177	(59,019)	253,447
Intangible - computer software	47,278	1,413	(2,864)	45,827
Total capital assets being depreciated	4,336,858	97,786	(62,620)	4,372,024
Less accumulated depreciation for:				
Buildings and improvements	(522,181)	(28,746)		(550,927)
Infrastructure	(2,010,429)	(63,204)		(2,073,633)
Equipment	(224,186)	(18,620)	55,562	(187,244)
Intangible - computer software	(42,229)	(2,288)	2,851	(41,666)
Total accumulated depreciation	(2,799,025)	(112,858)	58,413	(2,853,470)
Total capital assets, being depreciated	1,537,833	(15,072)	(4,207)	1,518,554
Total governmental activities	$ 1,724,834	12,781	(33,354)	1,704,261

COUNTY OF SACRAMENTO
NOTES TO BASIC FINANCIAL STATEMENTS
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(amounts expressed in thousands)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 133,970		(10)	133,960
Construction in progress	69,832	68,673	(39,640)	98,865
Permanent easement	57	1	(1)	57
Water facility rights	196,478			196,478
Other intangible assets	1,904			1,904
Total capital assets not being depreciated	402,241	68,674	(39,651)	431,264
Capital assets, being depreciated:				
Buildings and improvements	2,397,267	37,291	(29,048)	2,405,510
Infrastructure	182,786	13,908		196,694
Equipment	93,189	9,983	(4,139)	99,033
Computer software	14	464		478
Water facility rights	1,273			1,273
Total capital assets being depreciated	2,674,529	61,646	(33,187)	2,702,988
Less accumulated depreciation for:				
Buildings and improvements	(763,440)	(66,504)	28,601	(801,343)
Infrastructure	(45,789)	(4,390)		(50,179)
Equipment	(50,047)	(8,332)	4,070	(54,309)
Computer software	(13)	(53)		(66)
Water facility rights	(430)	(25)		(455)
Total accumulated depreciation	(859,719)	(79,304)	32,671	(906,352)
Total capital assets. being depreciated, net	1,814,810	(17,658)	(516)	1,796,636
Total business-type activities	$ 2,217,051	51,016	(40,167)	2,227,900

(amounts expressed in thousands)

Depreciation expense and amortization was charged to functions/programs of the primary government as follows:

	Depreciation Expense
Governmental activities:	
General government	$ 16,761
Public assistance	490
Public protection	21,312
Health and sanitation	3,458
Public ways and facilities	51,416
Recreation and culture	3,952
Education	663
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	14,806
Total depreciation expense - governmental activities	$ 112,858
Business-type activities:	
Airport	$ 52,648
Solid Waste	6,588
Water Agency	19,481
Parking Enterprise	225
County Transit	362
Total depreciation expense - business-type activities	$ 79,304

(amounts expressed in thousands)

NOTE 6 - INTERFUND TRANSACTIONS

The following summarizes interfund receivables and payables, advances to / from other funds, and transfers as of and for the fiscal year ended June 30, 2019.

Due To / From Other Funds at June 30, 2019 are as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	$ 470
	Total	$ 470

The amount due to the General Fund is for Department of Child, Family, and Adult Services - In-Home Support Services.

Advances To/From Other Fund at June 30, 2019 are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental	Solid Waste	$ 240
Internal service	General	18,549
	Total	$ 18,789

The amount advanced from the nonmajor governmental fund is related to the purchase of land for the North Area Recovery Station and is to be fully repaid by the end of FY 2019-20. Amounts advanced from internal service funds relate to General Fund advances. The advances to the General Fund were for operations. Repayment of interfund loans will be addressed annually until fully repaid.

Under the Interfund Transfer Repayment Plan, the County would commit to a $6,698 annual repayment starting in FY 2018-19 and full repayment would be complete by the end of FY 2022-23. In FY 2018-19, the General Fund repaid $6,698 to internal service funds.

(amounts expressed in thousands)

Transfers Out / In Other Funds for the fiscal year ended June 30, 2019, are as follows:

Transfer Out	Transfer In	Amount	Description
General	Nonmajor governmental	$ 119,996	Transfer to cover debt service payments and special revenue
General	Internal service	1,000	Transfer to cover general liability self-insurance payment
Nonmajor governmental	General	9,561	Transfers to cover debt service payments and Teeter Property tax
Nonmajor governmental	Nonmajor governmental	34,424	Transfer to cover debt service payments and capital project
Internal service	Nonmajor governmental	11,306	Transfer to cover debt service, Pension Obligation Bond debt service, and departmental reorganization
Enterprise - Water Agency	Nonmajor governmental	983	Transfer to cover Pension Obligation Bond debt service payments
Enterprise - Airports	Nonmajor governmental	2,552	Transfer to cover Pension Obligation Bond debt service payments
Enterprise - Solid Waste	Nonmajor governmental	1,586	Transfer to cover Pension Obligation Bond debt service payments
Nonmajor enterprise	Nonmajor governmental	32	Transfer to cover Pension Obligation Bond debt service payments
Enterprise - Solid Waste	General	1,321	Transfer to Regional Parks for clean up and safety initiatives
	Total	$ 182,761	

(amounts expressed in thousands)

NOTE 7 - LEASES

Capital Leases:

The County has entered into certain capital lease agreements under which the related asset will become the property of the County when all terms of the lease agreements are met.

As of June 30, 2019, the future minimum lease payments under capital leases are as follows:

Fiscal Year Ending June 30	Governmental Activities
2020	$ 279
2021	279
2022	279
Total minimum lease payments	837
Less: Amount representing interest	(57)
Net present value of minimum lease payments	$ 780

The following is a schedule of capital assets under capital leases by major classes at June 30, 2019:

Capital Assets Under Capital Leases	
Asset:	Governmental Activities
Land	$ 673
Buildings and improvements	10,560
Total	11,233
Less: Accumulated depreciation	(8,210)
Net capital assets under lease	$ 3,023

(amounts expressed in thousands)

Operating Leases:
The County also leases buildings and equipment under operating leases, some of which contain escalation clauses. Future minimum non-cancelable operating lease payments for governmental and proprietary fund types as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Operating Leases Commitment Governmental	Operating Leases Commitment Business - type
2020	$ 29,430	753
2021	21,068	471
2022	17,606	345
2023	14,082	345
2024	10,278	345
2025 - 2029	18,667	1,263
2030 - 2034	515	
	$ 111,646	3,522

Operating leases may be terminated without substantial penalty if the Board of Supervisors determines that funds are not available for appropriation in the County budget.

Total rental payments for operating leases recorded for the fiscal year ended June 30, 2019, were $36,710.

Lease Income and Receivables
The Airport derives a substantial portion of its revenues from charges to air carriers and concessionaires. Substantially all of the assets classified under capital assets in the Airport Fund are for the purpose of rental or related use.

Airport as lessor, leases land, buildings and terminal space to air carriers and concessionaires on a fixed fee as well as a contingent basis. All of the Airport's leases are treated as operating leases for accounting purposes. Most of the leases provide for an annual review and re-determination of the rental amounts.

In FY 2018-19, Airports received approximately $8,095 for contingent rental payments in excess of stated minimum annual guarantees.

(amounts expressed in thousands)

The following is a schedule of future minimum rentals on non-cancelable operating leases for the Airport fund as of June 30, 2019.

Fiscal Year Ending June 30	Future Minimum Rentals Business -Type Activities
2020	$ 82,482
2021	81,559
2022	78,335
2023	17,431
2024	16,594
2025 - 2029	9,781
2030 - 2034	3,168
2035 - 2039	2,338
2040 - 2044	1,930
2045 - 2049	1,882
2050 - 2054	1,882
2055 - 2059	1,820
Total future minimum rentals	$ 299,202

(amounts expressed in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 118,754	103,293	(100,041)	122,006	8,736
Certificates of participation	195,690	89,125	(127,835)	156,980	13,160
Teeter notes	21,618	20,372	(20,530)	21,460	6,263
Pension obligation bonds	925,700		(63,317)	862,383	70,769
Accreted interest	71,885		(6,153)	65,732	7,916
Revenue bonds	302,267		(5,315)	296,952	5,935
Accreted interest	32,337	3,573		35,910	
Other long-term debt	581		(88)	493	107
Litigation liability	93,620		(6,438)	87,182	5,102
Capital lease obligations	2,227		(1,447)	780	249
Unamortized amounts					
Issuance premiums	2,991	11,659	(1,909)	12,741	(1,054)
Issuance discounts	(6,053)		414	(5,639)	414
Total governmental activities - long-term obligations	$ 1,761,617	228,022	(332,659)	1,656,980	117,597
Business-type activities:					
Compensated absences	$ 6,630	6,198	(5,957)	6,871	366
Revenue bonds	983,560		(13,300)	970,260	23,360
PFC and subordinate revenue bonds	230,380			230,380	4,805
Reimbursement agreements	3,430	2,293	(1,302)	4,421	1,422
Water rights - SMUD assignment	2,680		(759)	1,921	759
Unamortized amounts					
Issuance premiums	114,445		(6,205)	108,240	
Total business-type activities - long-term obligations	$ 1,341,125	8,491	(27,523)	1,322,093	30,712
Component Unit (First Five Commission):					
Compensated absences	$ 231	126	(149)	208	54

(amounts expressed in thousands)

Internal service funds predominately serve governmental funds. Accordingly, long-term liabilities reported in these funds are included with governmental activities. At year-end, $11,069 of the internal services funds compensated absences balance is included in governmental activities. Also, for the governmental activities, claims and judgments (if applicable) and compensated absences are liquidated by the General Fund and Internal Service Funds.

Individual issues of bonds, notes and certificates of participation outstanding at June 30, 2019 are as follows:

Governmental Activities:

Certificates of Participation (COP):	Amount Outstanding at June 30, 2019
County of Sacramento 2003 Certificates of Participation (Juvenile Courthouse Project) issued June 19, 2003. Principal payments are due December 1, 2019, through December 1, 2034, escalating from $1,060 to $2,160, with interest rates ranging from 4.1 percent to 5.0 percent.This issuance is collateralized by the base rental payments from the Juvenile Courthouse project. There is no accelerated payment schedule if payment goes into default.	$ 24,740
County of Sacramento 2010 Certificates of Participation issued on March 3, 2010. The County issued the 2010 bonds to refund and defease $30,494 of outstanding debt for 2003 Refunding Certificates of Participation, Main Jail Detention Facility; $5,459 for 1999 Refunding Certificates of Participation – Cherry Island Golf Course; $67,055 for 1997 Refunding Certificates of Participation (1994 Public Facilities Project), to pay costs of issuance, debt service reserve of $12,532 and to pay the Swap termination fee of $10,180 on the 1990 Swap agreement. Principal payments are due February 1, 2019 through the fiscal year 2030. Payments escalate from $3,235 to $6,595, with interest rates ranging from 4.25 percent to 5.75 percent. This issuance is collateralized by the base rental payments from the Sacramento Detention Facility, Cherry Island Golf Course, and a County-owned parking garage. There is no accelerated payment schedule if payment goes into default.	46,350
County of Sacramento 2018 Certificates of Participation issued on November 28, 2018. The County issued the 2018 bonds to refund and defease $39,703 of outstanding debt for 1994/97 Refunding Certificates of Participation as Series 2018A and Series 2018B for the three Certificates of Participation; $9,729 for 2003 Public Facilities Projects - ADA Improvements; $16,355 for 2006 Public Facilities Project; $34,198 for 2007 Certificates of Participation to pay costs of issuance, and debt service reserve of $798,240. Principal payments are due October 1, 2019 through the fiscal year 2033-34. Payments escalate from $305 to $4,755 for Series 2018A and $360 to $2,755 for Series 2018B, with an interest rate of 5 percent. The refunding was undertaken to reduce total debt service payments and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $13,507 and a cash flow savings of $27,400. The deferred outflows on refunding for the 1994/97 Refunding Certificates of Participation, 2003 Public Facilities Projects - ADA Improvements, and 2006 Public Facilities Project amounted to $446, $306, and $292, respectively, and will be amortized through October 1, 2033. The deferred inflows on refunding for the 2007 Certificates of Participation amounted to $386 and will be amortized through October 1, 2033. This issuance is collateralized by the base rental payments from the Coroner/Crime Lab, Data Center, and a County-owned Fleet Facility. There is no accelerated payment schedule if payment goes into default.	85,890
Total certificates of participation	156,980
Add: Issuance premium	12,741
	$ 169,721

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2019
Teeter notes:	
County of Sacramento, 2014 Teeter Loan Agreement Note, dated December 9, 2014, to purchase the delinquent property taxes receivables as of June 30, 2014, at $20,996. Annual payments of principal and interest are due on the first business day of August each year, ending in 2019. The amount of the principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 1, 2019. Interest payments will be at a variable rate that averaged 2.326 percent in the FY 2018-19 and was 2.484 percent at June 30, 2019.	$ 1,013
County of Sacramento, 2015 Teeter Loan Agreement Note, dated October 27, 2015, to purchase the delinquent property taxes receivables as of June 30, 2015, at $19,522. Annual payments of principal and interest are due on the first business day of August each year, ending in 2020. The amount of the principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 3, 2020. Interest payments will be at a variable rate that averaged 2.326 percent in the FY 2018-19 and was 2.484 percent at June 30, 2019.	1,822
County of Sacramento, 2016 Teeter Loan Agreement Note, dated November 1, 2016, to purchase the delinquent property taxes receivables as of June 30, 2016, at $17,391. Annual payments of principal and interest are due on the first business day of August each year, ending in 2021. The amount of the principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 2, 2021. Interest payments will be at a variable rate that averaged 2.326 percent in the FY 2018-19 and was 2.484 percent at June 30, 2019.	2,773
County of Sacramento, 2017 Teeter Loan Agreement Note, dated November 1, 2017, to purchase the delinquent property taxes receivables as of June 30, 2017, at $18,241. Annual payments of principal and interest are due on the first business day of August each year, ending in 2022. The amount of the principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 1, 2022. Interest payments will be at a variable rate that averaged 2.326 percent in the FY 2018-19 and was 2.484 percent at June 30, 2019.	4,887
County of Sacramento, 2018 Teeter Loan Agreement Note, dated December 4, 2018, to purchase the delinquent property taxes receivables as of June 30, 2018, at $20,372. Annual payments of principal and interest are due on the first business day of August each year, ending in 2023. The amount of the principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 1, 2023. Interest payments will be at a variable rate that averaged 2.326 percent in the FY 2018-19 and was 2.484 percent at June 30, 2019.	10,965
Total Teeter notes	$ 21,460

COUNTY OF SACRAMENTO
NOTES TO BASIC FINANCIAL STATEMENTS
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	Amount Outstanding at June 30, 2019
Pension obligation bonds:	
County of Sacramento Pension Obligation Bonds issued July 22, 1995, $538,060 of Series 1995 Taxable Pension Funding Bonds to fund the accrued actuarial liability of the County to the SCERS. The issue is composed of $404,060 of Series 1995A Fixed Rate Bonds, $67,000 of Series 1995B Variable Rate Bonds, and $67,000 of Series 1995C Variable Rate Bonds. Principal payments on the fixed rate bonds are due June 30, 2020, through June 30, 2022, escalating from $29,959 to $45,379. Rates on the fixed rate bonds range from 6.19 percent to 7.68 percent. On September 22, 2011, the County did a partial advance refunding to defease $134,000 of the 1995 B & C Pension Funding variable rate bonds.	$ 112,637
County of Sacramento Pension Obligation Bonds issued July 15, 2003, $152,321 of Series 2003 A & B Taxable Pension Funding Bonds. The net proceeds, $149,630 established an irrevocable escrow fund to defease to maturity a portion of the Series 1995 Taxable Pension Funding Bonds, from August 15, 2003 through August 15, 2008. The issue is composed of $54,879 of Series 2003A, Capital Appreciation Bonds, $97,441 of Series 2003B Convertible Capital Appreciation Bonds to provide budgetary relief (over three to seven years at the time of bonds were issued) due to pension benefit enhancements and losses incurred by the SCERS. Final principal payment on the Series 2003A bonds was made on August 15, 2008, in the amount of $26,500. Principal payments on the Series 2003B bonds are due commencing August 15, 2022, for $69,014, and August 15, 2023, for $28,427. The rate on Series 2003B bonds is 5.73 percent.	97,441
County of Sacramento Pension Obligation Bonds issued March 28, 2008, $359,165 of Series 2008 Taxable Pension Refunding Bonds. The County issued the Series 2008 Bonds to refund and defease $350,037 the fully accreted outstanding amount of its Taxable Pension Funding Bonds, Series 2004 C-1 and to pay the costs of issuance of the Series 2008 Bonds. Principal payments on the Series 2008 bonds are due July 10, 2019 through July 10, 2030, escalating from $10,650 to $48,585. The County entered into a swap agreement effective July 10, 2006, on the 2004 refunded series C-1 fixing the interest rate to 5.901 percent, which remains in effect for the 2008 Taxable Pension refunding bonds. See Note 9, Derivatives – Interest Rate Swap.	321,315
County of Sacramento Taxable Pension Obligation Bonds, Series 2011A issued on September 22, 2011. The County issued the 2011 bonds to refund $134,000 outstanding principal amount of its Taxable Pension Funding Bonds, Series 1995B & C, to pay costs associated with the termination of interest rate swaps relating to the refunded bonds of $51,920, and to pay $2,912 cost of issuance of the Series 2011A Bonds. Principal payments on the 2011 bonds are due commencing on August 1, 2019 through August 1, 2023, payments ranging from $27,230 to $58,260 and interest rates ranging from 4.19 percent to 6.42 percent.	145,155
County of Sacramento Taxable Pension Obligation Bonds, Series 2011B issued on October 6, 2011. The County issued the 2011B bonds to refund $47,760 outstanding principal amount of its Taxable Pension Funding Bonds, Series 2009, to pay costs associated with the termination of interest rate swaps relating to the refunded bonds of $24,629, and to pay $1,665 costs of issuance of the Series 2011B Bonds. The 2011B bonds totaling $73,875 are due on August 1, 2024 in full, at an interest rate of 6.625 percent.	73,875

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2019
County of Sacramento Pension Obligation Bonds issued on October 30, 2013, for $111,960 of Series 2013 Taxable Pension Refunding Bonds. The County issued the Series 2013 Bonds to refund and defease $62,402 of the fully accreted outstanding amount of its Taxable Pension Obligation Bonds, Series 2004 C-3 and to pay the costs of issuance of the Series 2013 Bonds. Principal payments on the Series 2013 Bonds are due commencing August 1, 2024, for $27,310, and August 1, 2025, for $84,650. The rate on Series 2013 bonds is 7.25 percent.	111,960
The total accreted interest balance at June 30, 2019, on the 1995 and 2003 Pension Obligation Bonds is $65,732. All pension obligation bond issuances are uncollateralized and have an accelerated payment schedule that if payment goes into default, all outstanding interest and principal becomes due and payable.	
Total pension obligation bonds	862,383
Add: Accreted interest	65,732
Less: Issuance discount	(2,198)
	$ 925,917

Revenue Bonds:

On December 1, 2005, the Tobacco Securitization Authority issued $255,486 of refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of $176,080 of bonds and to provide additional funds to be used by the County on selected projects. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. The Series 2005 bonds are payable solely from pledged Tobacco Settlement Revenues and interest earnings on amounts on deposit. The Authority issued $219,685 for the Series 2005A-1 Senior Current Interest Bonds. The first Series A-1 Term Bonds are for $45,825 with an interest rate of 4.75 percent, final early (Turbo) redemption date of June 1, 2015, with a due date of June 1, 2023. The second Series A-1 Term Bonds are for $87,290 with an interest rate of 5.375 percent, final Turbo redemption date of June 1, 2024, with a due date of June 1, 2038. The third Series A-1 Term Bonds are for $86,570 with an interest rate of 5.0 percent, final Turbo redemption date of June 1, 2028, with a due date of June 1, 2045. The Authority issued $12,468 for the Series 2005A-2 Senior Convertible Bonds with an interest rate of 5.4 percent, final Turbo redemption date of June 1, 2017, with a due date of June 1, 2027. The Authority issued $11,674 for the Series 2005B First Subordinate Capital Appreciation Bonds with an interest rate of 5.9 percent, final Turbo redemption date of June 1, 2030, with a due date of June 1, 2045. The Authority issued $11,658 for the Series 2005C Second Subordinate Capital Appreciation Bonds with an interest rate of 6.7 percent, final Turbo redemption date of June 1, 2033, with a due date of June 1, 2045.	$ 228,981

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2019
The Sacramento County Financing Authority issued three series of Revenue Bonds issued December 23, 2003 for the purpose of allowing the Authority to finance four redevelopment projects in designated redevelopment project areas in the City and County of Sacramento. The net proceeds were then in turn loaned to the County and City. The sources of repayment of the bonds are distributions made by the County's Redevelopment Property Tax Trust Fund (RPTTF). Total principal and interest remaining on the bonds is $50,274, payable through December 2033. For the current year, principal and interest paid and total incremental tax revenues were $14,490 and $12,500 respectively. Series A - $33,696 Mather/McClellan and Del Paso Heights project areas improvements. The series includes $13,490 in serial bonds, maturing from December 2004 - 2022, with interest rates ranging from 2.0 percent to 5.0 percent. In addition, $8,165 in term bonds were issued with a stated rate of 5.125 percent maturing in December 2028. Another term bond of $9,065 was issued with a stated interest rate of 4.75 percent which matures in December 2033. Finally, $2,526 in capital appreciation bonds were issued with a stated interest rate ranging from 5.18 percent to 5.58 percent that mature from December 2020-2030. Series B - $8,345 Mather/McClellan Housing Project. The issue consists of four term bonds ranging in value from $670 to $4,450. The bonds mature from 2011 through 2033. Stated interest rates range from 3.82 percent to 6.26 percent.	
Sacramento County Financing Authority issued two series of Tax Allocation Revenue Bonds on March 5, 2008 for the purpose of loaning the proceeds to the Sacramento Housing and Redevelopment Agency. The loan proceeds will finance redevelopment activities, including low and moderate income housing in the designated redevelopment project area in the County of Sacramento. The source of repayment of the bonds is distributions from the County's RPTTF. The 2008 loans are issued on parity to the outstanding 2003A and 2003B loans. The loans are sized to satisfy the coverage and cash flow requirements of the project area wrapping around parity debt. Payment of debt service on the Bonds is insured by Assured Guaranty. Total principal and interest remaining on the bonds is $79,350, payable through December 2038. For the current year, principal and interest paid and total RPTTF distributions were $2,994 and $3,012, respectively. Series A - $24,765 Mather/McClellan (Tax Exempt) Redevelopment Area improvements.	
Redevelopment agencies were dissolved as of January 31, 2012. See Note 23 – Successor Agency Trust for Assets of Former Redevelopment Agency.	
Principal payments on both Series are due December 1st through final maturity in 2038. Interest payments are due on June 1st and December 1st. The 2003 Series A Capital Appreciation Bonds are callable at par beginning on December 1, 2018. The tax-exempt Series 2008A Bonds are callable at par beginning on December 1, 2018. The taxable Series 2008B Bonds are subject to optional redemption on any date, with a "make-whole premium" determined at the time of optional redemption on the bases of the value of debt service otherwise due on the redeemed bonds discounted at the comparable Treasury yield plus 12.5 basis points.	67,971
Total revenue bonds	296,952
Add: Accreted interest	35,910
Less: Issuance discount	(3,441)
	$ 329,421

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2019
Other long-term debt:	
Sacramento County Water Agency reimbursement agreements with interest at the net County Treasury Pool Rate to be paid on unpaid balance after County acceptance of project completion, unless paid within 60 days of acceptance and maturities ranging from 30 days to 5 years to be repaid from drainage permit revenues in the Water Agencies Special Revenue Fund.	$ 17
California Energy Commission loan in the amount of $1,088, at 3.0 percent interest for energy efficiency projects at Rio Cosumnes Correctional Center. Principal payments ranging from $44 to $51 are due December 22 and June 22 of each fiscal year until December 2024.	476
Total other long-term debt	$ 493

Litigation Liability:
On November 19, 2009, the Regents of the University of California (Regents) filed an action against the County of behalf of its University of California, Davis Health System (UCD), for breach of contract and for a Peremptory Writ of Mandate.

The Petition's causes of action for breach of contract were brought under the following two theories: 1) that UCD had an implied contract with the County - UCD claims that the alleged contract with UCD was manifested by the conduct of the County in its execution of the County's contract with Benefit and Risk Management Services (BRMS); and 2) that UCD is a "third party beneficiary" of the County's contract with BRMS. Pursuant to these theories, UCD alleges the County must pay for hospital care rendered to County Medically Indigent Program (CMISP) patients that were referred to UCD hospital.

The County entered into a settlement agreement with UCD with the County agreeing to pay a net amount of $93,620 plus interest over a 15 year period. Payments made in the first 11 fiscal years range from $6.4 million to $8.2 million, with the first payment commencing on July 1, 2018. The remaining principal balance after the 11th payment will be paid in 5 equal annual payments starting on July 1, 2029 at an interest rate equal to the 5-year Treasury bill rate plus 6 percent, with a cap of 9.5 percent. As of June 30, 2019, the outstanding balance is $87,182.

Long-term debt obligation maturities of governmental activities are summarized below. The amounts representing interest for variable rate obligations have been based on the debt's interest rate at June 30, 2019.

	Certificates of Participation		Teeter Notes		Pension Obligation Bonds	
Fiscal Year ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 13,160	7,875	6,263	509	70,769	58,135
2021	10,365	7,175	5,250	361	78,829	54,587
2022	10,495	6,644	4,339	237	87,584	50,426
2023	11,035	6,110	3,415	134	86,040	57,515
2024	11,600	5,535	2,193	53	106,887	36,072
2025 - 2029	62,670	18,146			339,584	44,474
2030 - 2034	35,495	4,794			92,690	2,175
2035	2,160	60				
	$ 156,980	56,339	21,460	1,294	862,383	303,384

(amounts expressed in thousands)

	Revenue Bonds		Other	
Fiscal Year ending June 30	Principal	Interest	Principal	Interest
2020	$ 5,935	14,557	107	14
2021	6,405	14,425	92	11
2022	7,348	14,411	95	8
2023	7,864	14,075	98	5
2024	7,466	14,527	101	2
2025 - 2029	41,565	62,982		
2030 - 2034	51,400	48,407		
2035 - 2039	68,776	35,079		
2040 - 2044	61,685	47,271		
2045	38,508	250,783		
	$ 296,952	516,517	493	40

	Amount Outstanding at June 30, 2019
Business-type Activities:	
Revenue, Passenger Facility Charges (PFC) and Subordinated Revenue Bonds:	
On May 9, 2007, Sacramento County Water Financing Authority issued $184,500 of serial 2007A (Fixed Rate) series and $228,920 of term series 2007B (Index Rate) Revenue Bonds. The interest rates on the 2007A bonds range from 3.75 percent to 5.0 percent. The variable interest rates on the 2007B bonds range from 2.239 percent to 2.259 percent at June 30, 2019. Proceeds from this debt issue were used to finance or reimburse the costs of acquisition and construction of certain additions, betterments, and improvements to the Water Agency's Water System and to advance refund the majority of the 2003 revenue bonds which have been subsequently paid in full. Principal payments on the Series 2007A bonds are due June 1, 2020 through June 1, 2028 ranging from $9,375 to $13,055. Principal payments on the Series 2007B bonds are due June 1, 2023 through June 1, 2039 ranging from $1,905 to $21,675. The Water Agency entered into a swap agreement effective May 9, 2007 on the Series 2007B bonds fixing the interest rate between 4.193 percent to 4.221 percent. See Note 9, Derivatives - Interest Rate Swap.	$ 332,105

Amount Outstanding at June 30, 2019

On May 1, 2008, the County issued $496,195 of Airport System Senior Revenue Bonds, Series A, B and C, and $89,430 of Airport Subordinate and PFC Revenue Refunding Bonds, Series D and E. Series 2008A fully refunded Series 1992B Bonds, Series 1998A Bonds and advance refunded Series 2002A Bonds. Series 2008A also provided $56.5 million to finance a portion of the costs of Terminal Modernization Program at the Sacramento International Airport. Series 2008B refunded 45.4 percent of the Series 2006A Bonds and provided $266.5 million to finance a portion of the costs of Terminal Modernization Program at Sacramento International Airport. Series 2008C advance refunded Series 2002B Bonds. Series 2008D fully refunded Series 1998B Bonds. Series 2008E refunded 54.6 percent of the Series 2006A Bonds. The reacquisition price exceeded the net carrying amount of the old debt by $15,225. This amount, net of accumulated amortization, is recorded in deferred outflows.

On July 28, 2009, the Airport issued additional bonds in the amount of $480,050 to continue the financing of the Terminal Modernization Program, Airport System Senior Revenue Bonds Series 2009A $31,115, and Series 2009B $170,685; Subordinate and PFC/Grant revenue Bonds Series 2009C $112,860, and Series 2009D $165,390. The Airport issued the Series 2009 Senior Bonds as Senior Obligations pursuant to the Master Indenture approved on May 1, 2008, and Third Supplemental Indenture, approved on July 1, 2009. On August 25, 2010, the County issued additional Airport System Senior Revenue Bonds in the amount of $128,300 to complete the financing of the Terminal Modernization Program. The Series 2010 Senior Bonds were issued pursuant to the Master Indenture approved on May 1, 2008, as supplemented and amended by a Fifth Supplemental Indenture or Trust, dated as of August 1, 2010. The Series 2010 Senior Bonds are to be secured by the Trust Estate and payable from Net Revenues. The bonds are issued under the terms of supplemental indentures adopted by the Board and are subject to call and redemption at the option of the Airport prior to their respective maturity dates.

On December 21, 2016, the County issued $89,000 of Airport System Senior Revenue Refunding Bonds, Series 2016A and $92,790 of Airport System Subordinate Revenue Refunding Bonds, Series 2016B. The Series 2016A Senior Bonds were issued to advance refund a portion of the outstanding County of Sacramento Airport System Senior Revenue Bonds, Series 2008A and all of the outstanding County of Sacramento Airport System Senior Revenue Bonds, Series 2009A. The Series 2016B Subordinate Bonds were issued to advance refund all of the outstanding County of Sacramento Airport System Subordinate and PFC/Grant Revenue Bonds, Series 2009C. The term of the 2016 Bond series is twenty-five years with an average coupon rate of 5 percent. The deferred outflows on refunding amounted to $18,228 and will be amortized through July 1, 2041.

On May 3, 2018, the County issued $61,710 of Airport System Senior Revenue Refunding Bonds, Series 2018A, $118,875 of Airport System Senior Revenue Refunding Bonds, Series 2018B, $254,925 of Airport System Senior Revenue Refunding Bonds, Series 2018C, $22,365 of Airport System Subordinate Revenue Refunding Bonds, Series 2018D, $99,745 of Airport System Subordinate Revenue Refunding Bonds, Series 2018E and $15,480 of Airport System Subordinate Revenue Refunding Bonds, Series 2018F. The Series 2018 Senior Bonds were issued to refund the outstanding Senior Series 2008A, 2008B and 2009B. The Series 2018 Subordinate Bonds were issued to refund the outstanding Subordinate Series 2008D, 2008E and 2009D. The deferred amounts on refunding totaled $10,962 and will be amortized through July 1, 2039.

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2019
The County has irrevocably pledged the net revenues of the Department of Airports for payment of these revenue bonds. As long as any senior obligation bonds remain outstanding, no event of default shall exist or may be declared with respect to any subordinate obligations or junior subordinate obligations. As long as any subordinate obligations remain outstanding, no event of default shall exist or may be declared with respect to any junior subordinate obligations. Senior obligations shall become due and payable upon the occurrence of an event of default such as a debt service payment default or noncompliance with bond covenants pursuant to the Master Indenture. Events of defaults are The subordinate obligation shall not be subject to this acceleration if any senior obligations are then outstanding. Junior subordinate obligations shall not be subject to this acceleration if any subordinate or senior obligations are then outstanding.	638,155
Total Revenue Bonds	970,260
PFC & Subordinated Bonds	230,380
Add: Issuance premiums	108,240
	$ 1,308,880

Reimbursement agreements:

Sacramento County Water Agency Enterprise fund enters into various reimbursement agreements with developers for construction of water supply facilities within the Water Agency's jurisdiction. Impact fees are established within the zone to pay for the construction of new water supply facilities. A reimbursement agreement is established when the amount of impact fees applied to the water supply facilities exceed the amount of the fees due to the contractors for performing the service of construction for the water supply facilities. These agreements are secured by net revenues of the Sacramento County Water Agency.	$ 4,421

Water rights – SMUD assignment:

Sacramento County Water Agency Enterprise fund has entered into an agreement with the Sacramento Municipal Utilities District (SMUD) which provides for the assignment of thirty thousand acre feet of SMUD's Central Valley Project water supply to the Water Agency. Under this contract the Water Agency has agreed to pay the federal government certain costs that are allocated to the assigned contract amount. Under the terms of the agreement, the Water Agency will pay the balance over ten years with final payment due October 2021. There are no assets pledged as collateral and no terms specified with respect to default, early termination, or acceleration clauses within these agreements.	$ 1,921

(amounts expressed in thousands)

Long-term debt obligation maturities of business-type activities are summarized below. The amounts representing interest for variable rate obligations have been based on the debt's interest rate at June 30, 2019.

	Revenue Bonds and PFC Revenue Bonds		Reimbursement Agreements	
Fiscal Year ending June 30	Principal	Interest	Principal	Interest
2020	$ 28,165	52,374	1,422	
2021	32,715	51,126	1,386	
2022	33,890	49,576	323	
2023	35,590	47,854	328	
2024	37,360	46,108	333	
2025 - 2029	223,730	200,457	629	
2030 - 2034	284,300	146,792		
2035 - 2039	343,965	83,247		
2040 - 2042	180,925	13,704		
	$ 1,200,640	691,238	4,421	

	SMUD Water Rights	
Fiscal Year ending June 30	Principal	Interest
2020	$ 759	76
2021	759	46
2022	403	26
	$ 1,921	148

The various debt indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds. The County was in compliance with all such significant financial limitations and restrictions for fiscal year ending June 30, 2019.

Conduit Debt and Non-Exchange Financial Guarantees

River City Regional Stadium Financing Authority; Taxable Lease Revenue Bonds, Series 1999

The County is a member of the River City Regional Stadium Financing Authority. In 1999, the Authority issued taxable lease revenue bonds in the amount of $39,990, to finance the site acquisition and construction of a privately owned and operated baseball stadium and related improvements, known as Raley Field. If ticket receipt revenues are insufficient to pay the annual lease obligations, the County has agreed to pay up to 66 percent of these annual obligations. The Stadium lease obligates the River City Companies to repay the County for any payments made by the County.

As of June 30, 2019, the principal amount of bonds outstanding was $25,570 and 66 percent of the average annual lease obligation amount is $2,340. The guarantee will be in effect until the bonds mature in 2029, or until all bonds are fully paid. Ticket receipts have been sufficient since the bonds were issued in 1999 to meet all lease obligations, and the County does not anticipate that this will change, as current ticket receipts are projected to be sufficient to continue to meet the lease obligations. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Airports Special Facilities Revenue Bonds

Variable Rate Demand Special Facilities Airport Revenue Bonds, Series 1998 (Special Facility Bonds), totaling $9,900 were issued on November 3, 1998 to finance the demolition of an existing facility and construction and installation of a replacement aircraft maintenance hangar and associated facilities at the Sacramento International Airport for Cessna. Although taking the legal form of a financing lease between the County and Cessna, the substance of these arrangements is that the Special Facility Bonds constitute a special obligation of the Airports payable from and secured by certain revenues under its lease with Cessna and certain proceeds pledged under the Indenture. The bonds do not constitute a debt, liability or general obligation of the Airport or the County or a pledge of the faith and credit of the Airport. The Airport will not be obligated to levy any taxes or expend any funds for the repayment of the bonds. As of June 30, 2019, the outstanding balance of the debt was $8,800. The Special Facility Bonds will mature on November 1, 2028.

At June 30, 2019 the County’s debt limit for general obligation bonds and legal debt margin was $2,032,885.

(amounts expressed in thousands)

NOTE 9 - DERIVATIVES - INTEREST RATE SWAP

All three of the County's interest rate swap agreements are considered to be effective hedging derivative instruments. The County used the consistent critical terms method to evaluate hedge effectiveness for the $99,955 and $128,965 Water Agency Revenue bonds, Series 2007B Swap, and the regression analysis method for the $308,950 Taxable Pension Bonds, 2008 C-1 Swap.

Hedging derivative instruments are classified as Level 2 and are valued using a discounted cash flow technique, which calculates the future net settlement payments, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates (LIBOR). The payments are then discounted using the spot rates (LIBOR) implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2019, classified by type, and the changes in fair value of such derivative instruments, as reported for the fiscal year then ended June 30, 2019 financial statements are as follows debit (credit).

		Changes in Fair Value		Fair Value - as of June 30, 2019	
	Notional Amount	Classification	Amount	Classification	2019
Governmental Activities:					
Cash Flow Hedges:					
Series 2004 C-1 / 2008 C-1 Swap					
Pay-fixed interest rate swap	$ 308,950	Deferred outflow	$ (15,653)	Debt	$ (80,729)
		Total Governmental Activities	$ (15,653)		$ (80,729)
Business-Type Activities:					
Cash Flow Hedges:					
Series 2007 B Swap					
Pay-fixed interest rate swap	$ 128,965	Deferred outflow	$ (8,390)	Debt	$ (30,532)
Series 2007 B Swap					
Pay-fixed interest rate swap	99,955	Deferred outflow	(9,540)	Debt	(32,649)
		Total Business-Type activities	$ (17,930)		$ (63,181)

(amounts expressed in thousands)

Objective and Terms of Hedging Derivative Instruments:

The following table displays the objective and terms of the County's hedging derivative instruments outstanding at June 30, 2019 along with the credit rating of the associated counterparty:

Governmental Activities:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Series 2004 C-1 / 2008 C-1 Swap Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 C-1 bonds	$ 308,950	7/10/2006	7/10/2030	County pays 5.901% fixed; receives USD LIBOR - BBA adjusted monthly: 2.41163%	A2Moody's A- S&P A+ Fitch

Business-Type Activities:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Series 2007 B Swap Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2007 Series B bonds	$ 128,965	5/9/2007	6/1/2034	Water Agency pays fixed 4.193%; receives 67% of USD LIBOR-BBA plus 55 bps	A+ S&P Aa2 Moody's
Series 2007 B Swap Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2007 Series B Bonds	99,955	5/9/2007	6/1/2039	Water Agency pays fixed 4.221%; receives 67% of USD LIBOR-BBA plus 57 bps	A+ S&P Aa2 Moody's

Taxable Pension Funding Bonds Refunding 2008 C-1 Swap:

Credit Risk:

The County is not exposed to credit risk resulting from a failure of the counterparty to perform because the swap has a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to the credit risk of the counterparty in the amount of the derivative's fair value. The swap counterparty was rated "A2" by Moody's Investors Services, "A-" by Standard & Poor's and "A+" by Fitch as of June 30, 2019.

Interest Rate Risk:

The County is exposed to interest rate risk on its interest rate swaps. On its pay-fixed receive-variable interest rate swap, as the LIBOR index decreases, the County's net payment on the swap increases.

Basis Risk:

The basis risk is the difference between the rate paid on the variable-rate bonds and the floating amount received from the interest rate swap of the 1-Month LIBOR. Since the refunded bonds variable-rate payments were fixed to the 1-Month LIBOR as well, and both reset on the same day of the month, the basis risk became fixed. The basis risk for the 2026 Term bonds is 1.30 percent and for the 2030 Term bonds is 1.45 percent.

Contingencies:
Should the County be downgraded below Baa2 by Moody's or BBB by S&P and an insurer event has occurred, the counterparty has the option to terminate the swap. As of June 30, 2019, the negative fair value of the swap amounted to $80,729.

Termination Risk:
The County or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. If the swap is terminated, other than by the counterparty exercising its option under the agreement, and at the time of termination, the swap has a negative fair value, the County would be liable to the counterparty for a payment equal to the swap's fair value, which as of June 30, 2019 was $80,729.

Water Agency Revenue Bonds, Series 2007B Swaps:
Credit Risk:
The Sacramento County Water Agency (Water Agency) Enterprise Fund is not exposed to credit risk resulting from a failure of the counterparty to perform because of the swaps' negative fair value. If the swaps had positive fair value greater than $10 million, the Water Agency would be exposed to credit risk from the counterparty. The swap counterparty was rated "Aa2" by Moody's Investors Services and "A+" by Standard & Poor's as of June 30, 2019.

Interest Rate Risk:
The Water Agency is exposed to interest rate risk on its interest rate swaps. On its pay-fixed receive-variable interest rate swap, as the LIBOR index decreases, the Water Agency's net payment on the swap increases.

Basis Risk:
The swaps are not exposed to basis risk since there is no difference between the rates paid on the variable-rate bonds and the floating amounts received from the interest rate swaps.

Contingencies:
The Water Agency's swap assignment agreement includes provisions relating to the posting of collateral for the swap counterparty and the Water Agency. The swap Credit Support Annex (CSA), which is part of the swap agreement, is a one-way CSA where the counterparty has the obligation to post collateral depending on the thresholds. Conversely, the Water Agency does not have to post collateral unless 1) a rating event occurs (the Water Agency gets downgraded below A2 by Moody's or A by S&P); and 2) an insurer event occurs which could be a combination of several events but most likely a) the insurer gets downgraded; and b) the insurer has failed to payout an obligation of greater than $30 million; and 3) the Water Agency chooses the option to post collateral. The two other options available to the Water Agency are to provide a letter of credit or to assign the agreement to another entity.

Should the Water Agency be downgraded below Baa2 by Moody's or BBB by S&P and an insurer event has occurred, the counterparty has the option to terminate the swap. As of June 30, 2019, negative fair value of the swaps amounted to $63,181.

Termination Risk:
The Water Agency or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If the swaps are terminated, the variable-rate bonds would no longer carry a synthetic interest rate. If the swaps are terminated, other than by the counterparty exercising its option under the agreement, and at the time of termination, the swaps are in a liability position, the Water Agency would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

(amounts expressed in thousands)

***Derivative Instrument Payments and Hedged Debt*:**
Using the rates as of June 30, 2019, debt service requirements of governmental activities and business-type activities for the variable rate debt and the net receipts/payments on associated hedging derivative instruments are presented below:

Governmental Activities:

	2004 C-1 / 2008 C-1 Pension Refunding Bonds Series C-1 Variable-Rate			
Fiscal Year ending June 30	Principal	Interest	Interest Rate Swaps, Net	Net Cash Flows
2020	$ 10,650	11,553	10,440	32,643
2021	12,025	11,094	10,024	33,143
2022	14,975	10,525	9,511	35,011
2023	17,025	9,874	8,923	35,822
2024	20,200	9,104	8,227	37,531
2025 - 2029	148,725	29,765	26,893	205,383
2030 - 2031	85,350	1,992	1,800	89,142
	$ 308,950	83,907	75,818	468,675

Business-Type Activities:

	Sacramento County Water Agency Enterprise Fund Series 2007 B Revenue Bonds			
Fiscal Year ending June 30	Principal	Interest	Interest Rate Swaps, Net	Net Cash Flows
2020	$	4,593	4,980	9,573
2021		4,593	5,034	9,627
2022		4,593	5,034	9,627
2023	1,905	4,593	5,034	11,532
2024	1,985	4,554	5,045	11,584
2025 - 2029	29,930	22,054	24,126	76,110
2030 - 2034	95,145	15,910	17,488	128,543
2035 - 2039	99,955	6,182	6,826	112,963
	$ 228,920	67,072	73,567	369,559

NOTE 10 - SPECIAL ASSESSMENT DEBT AND RELATED ACTIVITIES

At June 30, 2019, special assessment improvement bonds outstanding for all assessment districts totaled $181,594. Since the County is not obligated in any manner for special assessment bonds, the debt is not recorded in these financial statements. However, construction of special assessment projects is accounted for in the Capital Projects Funds. Since the County acts as an agent for the property owners in collecting assessments and forwarding such funds to the bondholders, this activity is reported in the Agency Funds.

The Laguna Stonelake Community Facilities District No. 1 (District) has been authorized to issue $20,000 of Special Tax Bonds. On October 14, 1999 the District issued $13,025. On May 12, 2005, the District issued the $11,525 series 2005 Special Tax Refunding Bonds with interest rates ranging from 2.75 percent to 4.50 percent, the proceeds of which were used to defease the outstanding 1999 Bonds with an average interest rate of 6.30 percent. The 2005 refunding bonds constitute the entire bonded indebtedness of the District. The defeased 1999 bonds in the original aggregate principal amount of $13,025 are the only bonds that have been issued under such authorization. At June 30, 2019, $6,975 of authorized bonds remains un-issued. The outstanding balance at June 30, 2019 was $4,885.

The McClellan Park Community Facilities District No. 2004-1 (District) has been authorized to issue $90,000 of Special Tax Bonds. On September 28, 2004, the District issued $10,250 Series 2004 Special Tax Bonds with interest rates ranging from 3.00% to 6.25%. On December 8, 2011 the District issued $10,395 Series 2011 Special Tax Bonds with interest rates ranging from 2.25 percent to 6.00 percent. On December 14, 2017, the District issued $29,470 of series 2017 Special Tax Bonds with interest rates ranging from 2.00 to 5.00 percent, a portion of the proceeds were used to defease the outstanding 2004 bonds and the outstanding 2011 bonds. The remaining proceeds were used to pay the costs of acquiring and constructing certain public facilities. The 2017 bonds constitute the entire bonded indebtedness as of June 30, 2019. At June 30, 2019, $57,235 of authorized bonds remain un-issued. The outstanding balance at June 30, 2019 for the Series 2017 bonds was $28,905.

The Laguna Creek Ranch/Elliott Ranch Community Facilities District No. 1 (District) has been authorized to issue a total of $63,500 of Special Tax Bonds for both Improvement Areas No. 1 and No. 2 by Board of Supervisors Resolution No. 90-1497 dated August 28, 1990, with $37,500 being the authorized bonded indebtedness for Improvement Area No. 1 and $26,000 being the authorized bonded indebtedness for Improvement Area No. 2. On August 13, 1997, the District issued $21,415 of 1997 Refunding Bonds for Improvement Area No. 2, the proceeds of which were used to defease the outstanding 1990 Bonds. On December 30, 1997, the District issued $31,980 of 1997 Refunding Bonds for Improvement Area No. 1, the proceeds of which were used to defease the outstanding 1990 Bonds. The defeased 1990 bonds in original aggregate principal amount of $34,000 for Improvement Area No. 1 and $24,155 for Improvement Area No 2 are the only bonds that have been issued under such authorization. On January 27, 2011, the District issued $12,830 of 2011 Refunding Bonds for improvement Area No. 2, the proceeds of which were used to defease the outstanding 1997 Refunding Bonds. On March 3, 2011, the District issued $17,075 of 2011 Refunding Bonds for Improvement Area No. 1, the proceeds of which were used to defease the outstanding 1997 Refunding Bonds. The 2011 Refunding Bonds constitute the entire bonded indebtedness of the District. At June 30, 2019, $3,500 of authorized Improvement Area No. 1 bonds and $1,845 of authorized Improvement Area No. 2 bonds remain un-issued. Interest rates for District No. 1 range from 2.0 percent to 5.0 percent, and District No. 2 ranges from 1.5 percent to 5.25 percent. The outstanding balance was at June 30, 2019, for Improvement Area No. 1 was $4,160 and for Improvement Area No. 2 was $4,240.

The Metro Air Park Community Facilities District No. 1998-1 (District) has been authorized to issue $7,250 of Special Tax Bonds. On December 30, 1998 the District issued $5,310 of Special Tax Bonds with an interest rate of 7.00 percent. These bonds constitute the entire bonded indebtedness as of June 30, 2019. At June 30, 2019, $1,940 of authorized bonds remains un-issued. The outstanding balance at June 30, 2019, was $1,285.

The Metro Air Park Community Facilities District No. 2000-1 (District) has been authorized to issue $200,000 of Special Tax Bonds. On April 8, 2004 the District issued $63,460 Series 2004A Special Tax Bonds with an interest rate of 7.00 percent. On December 14, 2007, the District issued $40,200 Series 2007B Special Tax Bonds with an interest rate of 7.00 percent. The Series 2004A and the Series 2007B bonds, a total of $92,195, constitute the entire bonded indebtedness as of June 30, 2019. At June 30, 2019, $96,340 of authorized bonds remains un-issued. The outstanding balance at June 30, 2019, for the 2004A bonds was $48,830 and for the 2007B bonds was $40,040.

The County of Sacramento Community Facilities District No. 2005-2 (North Vineyard Station No. 1) (District) has been authorized to issue $30,000 of Special Tax Bonds. On September 6, 2007 the District issued $14,415 of Special Tax Bonds with interest rates ranging from 4.40 percent to 6.00 percent. On June 8, 2017, the District issued $23,155 of Special Tax Bonds 2017 Series, of which the proceeds were used to defease the outstanding 2007 bonds and to fund certain public facility construction projects. The interest rates relating to these bonds range from 2.00 percent to 5.00 percent. The 2017 Special Tax Bonds constitute the entire bonded indebtedness of the district. As of June 30, 2019, $5,840 of authorized bonds remains unissued. The outstanding balance as of June 30, 2019, for the 2017 Special Tax Bonds was $22,270.

The County of Sacramento Community Facilities District No 2014-2 (North Vineyard Station No. 2) (District) has been authorized to issue $50,000 of Special Tax Bonds. On June 8, 2017, the District issued $14,225 of Special Tax Bonds with interest rates ranging from 2.00 percent to 5.00 percent. The 2017 Special Tax Bonds constitute the entire bonded indebtedness of the District. As of June 30, 2019, $35,775 of authorized bonds remains unissued. The outstanding balance as of June 30, 2019 for the 2017 Special Tax Bonds was $14,135.

The Park Meadows Community Facilities District No. 1 (District) has been authorized to issue $1,200 of Special Tax Bonds. On June 28, 2000 the District issued Current Interest Bonds in the amount of $230 at the interest rate of 7.75 percent, and Convertible Capital Appreciation Bonds in the original principal amount of $892 at the interest rate of 8.25 percent. These bonds constitute the entire bonded indebtedness. As of June 30, 2019, $78 of authorized bonds remains unissued. The outstanding balance as of June 30, 2019 was $549.

Sunrise Recreation and Park District (District) has been authorized to issue $10,000 of Certificates of Participating bonds. On July 12, 2007, the District issued $7,435 of Certificates of Participation bonds for a portion of the District's cost of recreation and park construction at or near the Antelope Community Park. The interest rate ranges from 3.95 percent to 4.50 percent. As of June 30, 2019, $2,565 of authorized bonds remains unissued. The outstanding balance as of June 30, 2019 was $5,685.

The County of Sacramento Community Facilities District No. 2016-2 (Florin Vineyard District No. 1) (District) has been authorized to issue $15,000 of Special Tax Bonds. On August 16, 2018 the District issued $6,610 of Series 2018 Special Tax Bonds with interest rates ranging from 3.00 percent to 5.00 percent. The Series 2018 Special Tax Bonds constitute the entire bonded indebtedness of the District. As of June 30, 2019, $8,390 of authorized bonds remains unissued. The outstanding balance as of June 30, 2019 was $6,610.

NOTE 11 - PLEDGED REVENUES

The County has pledged a portion of delinquent property tax revenues to repay $21,460 in Teeter notes in accordance with the alternative method of distribution of property tax levies and assessments. The notes were issued on December 9, 2014, October 27, 2015, November 1, 2016, November 1, 2017, and December 4, 2018. The notes are due and payable to the County of Sacramento-Pooled Investment Fund and are payable solely from the collection of delinquent property taxes. Total principal of $21,460 and interest of $1,294 remain on the notes and are payable through August 1, 2023. For the current year, net revenues pledged were equal to the total principal and interest paid of $20,530 and $421, respectively.

The County has pledged certain future revenues, net of specified operating expenses, to repay its outstanding debt. Bonds are payable from the net revenues of Airports through fiscal year 2041. The total principal and interest remaining to be paid on senior bonds is $1,077,561. Principal and interest paid in the current fiscal year was $27,208, and the total net revenues were $87,361. Net revenues, as defined by the Master Indenture, represent the revenues available for debt service minus operating expenses excluding the depreciation of capital assets.

Total principal and interest remaining to be paid on the subordinate bonds is $389,343. Principal and interest paid for the current year was $9,088 and the Passenger Facility Charges (PFC) cash generated in fiscal year 2019 was $24,910. Although PFC revenues are not pledged pursuant to the Master Indenture, the County intends to continue using PFCs to pay subordinate lien debt service, which will decrease significantly as a result of the refunding savings.

The County has pledged certain future revenues, net of specified operating expenses, to repay its outstanding debt. Bonds are payable from the net revenues of the Water Agency through fiscal year 2039. The total principal and interest remaining to be paid on the bonds is $424,974. Principal and interest paid in the current fiscal year was $24,508, and the total net revenues were $58,699. Net revenues, as defined by the Master Indenture, represent the revenues available for debt service minus operating expenses excluding depreciation of capital assets.

NOTE 12 - COMMITMENTS

The County has entered into several agreements related to the construction of capital projects and other activities.

Governmental Funds – The County's governmental funds have entered into contracts for the construction of certain projects totaling $46,401 at June 30, 2019.

Airport – The Airport had approximately $25,235 in outstanding construction contract commitments at June 30, 2019.

Solid Waste Enterprise Fund – Solid Waste entered into equipment and construction agreements totaling $4,507 at June 30, 2019.

Water Agency Enterprise Fund – The Water Agency has entered into contracts for the construction of certain projects totaling $528 at June 30, 2019.

NOTE 13 - CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations that place specific requirements on the Solid Waste Fund regarding closure and postclosure maintenance and monitoring functions for the Solid Waste Fund (Fund) landfills. These functions are required for 30 years after closure of the landfill sites. Although closure and postclosure care costs will be paid only near or after the date that a site is closed, the Fund recognizes these costs (as described below) as operating expenses each year.

Solid Waste operates one active landfill (Kiefer) and maintains postclosure care for two closed landfills (Elk Grove and Grand Island).

Management of the fund has deemed the capacity of the Kiefer Landfill will be the basis of recognizing its closure and postclosure care costs. Kiefer Landfill closure and postclosure care liabilities at June 30, 2019, were $16,037. The Fund will recognize costs of $31,395 as the remaining cost in the Kiefer Landfill is used in future years. At June 30, 2019, the capacity of the Kiefer Landfill used to date was 34 percent and the estimated remaining landfill life is 54 years. As required by applicable laws, management has established a fund for the post-closure Kiefer Landfill, in which $9,579 is considered restricted at June 30, 2019, with the remaining balance recorded considered designated. The Board of Supervisors has approved pledges of revenues to provide financial assurance for the postclosure maintenance costs of the Kiefer Landfill. Management expects that any increase to future closure and postclosure costs (due to changes in technology or applicable laws or regulations, for example), will be paid from charges to future users.

A portion of the property on which the Elk Grove Landfill is located (22.1 acres) was deeded to the County in 1936. In 1969, an additional 14.9 acres was added by eminent domain condemnation proceedings. The property was used as a municipal solid waste facility until 1978 and in 1979, it was officially closed. A final cover was placed on the landfill in 1993.

The Grand Island Landfill is a closed 10.4 acre disposal site that was leased to and operated by the County from 1971 to 1979. It is owned by the U.S. Army Corps of Engineers. A final cover was placed on the landfill in 1998.

Sections of Title 27 of the California Code of Regulations, Chapter 6, Subchapter 2, Article 2, require the operator of a disposal facility to demonstrate financial responsibility to the California Department of Resources Recycling and Recovery (CalRecycle) for maintenance. The Elk Grove and Grand Island Landfills are exempt from these regulations because these sites were not operated after January 1, 1988.

(amounts expressed in thousands)

Title 27 also specifies that at sites where CalRecycle does not require a fund, the Regional Water Quality Control Board (RWQCB) shall require the establishment of an irrevocable fund (or to provide other means) pursuant to CalRecycle promulgated sections, to ensure maintenance. The RWQCB required the County to provide evidence of financial responsibility for initiating and completing corrective action for all known and reasonably foreseeable releases for the Elk Grove and Grand Island Landfills in 1999 and 2004, respectively.

State law provides that the County can choose any alternative financial assurance mechanism acceptable to CalRecycle for the Elk Grove and Grand Island Landfills. The County has chosen the pledge of revenue approach because it best fits the local conditions present in Sacramento County. The Board of Supervisors has approved pledges of revenues to provide financial assurance for the postclosure maintenance costs of the Elk Grove and Grand Island Landfills.

The Fund reported Elk Grove Landfill postclosure care liabilities at June 30, 2019, as $966.

The Elk Grove landfill is 100 percent full and the postclosure 30-year liability period runs through June 2024. At June 30, 2019, the reported liabilities represent costs for the remaining 5 years. The portion of the postclosure costs expected to be paid during the next year is $242.

The Fund reported Grand Island Landfill postclosure care liabilities at June 30, 2019, of $253. The landfill is 100 percent full and the postclosure 30-year liability period runs through June 2029. At June 30, 2019, the reported liabilities represent postclosure costs for the remaining 10 years. The portion of the postclosure costs expected to be paid during the next year is $28.

Future closure and postclosure costs are based on what it would cost to perform all closure and postclosure care in 2019. Actual costs may be different due to inflation, changes in technology, changes in permitted capacity and/or changes in regulations.

The Fund is responsible for the costs associated with permanently covering all waste buried at the Kiefer Landfill. The funding for such closure is earned during the operating life of the site. Landfill partial final cover costs are those costs incurred during the life of the landfill which are expected to be spent prior to the day the landfill stops accepting waste, and do not include the costs associated with the final phase of closure activity occurring on or near the date the landfill stops accepting waste.

Based on the percentage used of the total capacity available with the open and active area of the Kiefer Landfill, the Partial Final Cover liability as of the fiscal year ending June 30, 2019, is estimated to be $24,626.

Changes in accrued landfill closure and postclosure care liability for the fiscal year ended June 30, 2019 were as follows:

	July 1, 2018 Beginning	Expense	Payments	June 30, 2019 Ending	Due within One Year
Kiefer	$ 19,567	(3,530)		16,037	
Elk Grove	1,182	26	(242)	966	242
Grand Island	275	6	(28)	253	28
Kiefer Final Cover	20,047	4,671	(92)	24,626	
	$ 41,071	1,173	(362)	41,882	270

NOTE 14 - RETIREMENT PLAN

General Information about the Pension Plan

Plan Description - All County full-time and part-time employees participate in the Sacramento County Employees' Retirement System ("SCERS" or the "System"), a multiple-employer and cost-sharing, public employee retirement system. SCERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). SCERS main function is to provide service retirement, disability, death and survivor benefits to the Safety and Miscellaneous members employed by the County of Sacramento. SCERS also provides retirement benefits to the employee members of the Superior Court of California (County of Sacramento) and eleven Special Districts.

The management of SCERS is vested with the Sacramento County Board of Retirement (Retirement Board). The Retirement Board consists of nine members and two alternates. The County Director of Finance is appointed by the County Executive, subject to confirmation by the Board of Supervisors. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two members are elected by the Miscellaneous membership; one member and one alternate are elected by the Safety membership, one member and one alternate are elected by the retired members of the System. All members of the Board of Retirement serve terms of three years except for the County Director of Finance whose term runs concurrent with the term as Director of Finance.

SCERS is legally and fiscally independent of the County. SCERS issues a publicly available financial report that can be obtained at http://www.SCERS.org.

Benefits Provided - SCERS provides service retirement, disability, death and survivor benefits to eligible employees. All permanent full-time or part-time employees of the County of Sacramento or contracting district become members of SCERS upon employment. There are separate cost pools for Safety and Miscellaneous member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain other classifications. There are four tiers applicable to Safety members. Those hired prior to January 1, 2012, are included in either Tier 1 or Tier 2 depending on date of hire and bargaining unit. Those hired after January 1, 2012 but prior to January 1, 2013, are included in Tier 3. Any new Safety member who becomes a member on or after January 1, 2013, is designated as PEPRA Safety (Tier 4) and is subject to the provisions of California's Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197. All other employees are classified as Miscellaneous members. There are five tiers applicable to Miscellaneous members. Those hired prior to September 27, 1981, are included in Tier 1. Those hired after September 27, 1981 but prior to January 1, 2012, are included in Tier 2 or Tier 3 depending on date of hire and bargaining unit. County members hired after January 1, 2012 but prior to January 1, 2013, are included in Tier 4. New members hired on or after January 1, 2013, are designated as PEPRA Miscellaneous (Tier 5) and are subject to the provisions of California Government Code 7522 et seq. and AB 197.

Safety members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. Safety members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 50, and have acquired five years of retirement service credit.

Miscellaneous members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Miscellaneous members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52, and have acquired five years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

Safety member benefits for Tier 1 and Tier 2 are calculated pursuant to the provisions of California Government Code Section 31664.1. Safety member benefits for Tier 3 are calculated pursuant to the provision of California Government Code Section 31664.2. The monthly allowance is equal to 2 percent of the first $350 of final compensation, plus 3 percent of the excess final compensation times years of accrued retirement service credit times age factor from either Section 31664.1 (Tier 1 and 2) or 31664.2 (Tier 3). Safety member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California

Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).

Miscellaneous member benefits for Tier 1, Tier 2 and Tier 3 are calculated pursuant to the provisions of California Government Code Section 31676.14. Miscellaneous member benefits for Tier 4 are calculated pursuant to the provisions of California Government Code Section 31676.1. The monthly allowance is equal to 1/90th of the first $350 of final compensation, plus 1/60th of the excess final compensation times years of accrued retirement service credit times age factor from either Section 31676.14 (Tier 1, Tier 2 and Tier 3) or Section 31676.1 (Tier 4). Miscellaneous member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100 percent of final compensation. There is no maximum for members with membership dates on or after January 1, 2013.

Final average compensation consists of the highest 12 consecutive months for a Tier 1 Safety or Tier 1 Miscellaneous member and the highest 36 consecutive months for a Tier 2, Tier 3, Tier 4 or Tier 5 member.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse. An eligible surviving spouse is one married to the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse or named beneficiary having an insurable interest in the life of the member.

SCERS provides an annual cost-of-living benefit to Safety Tier 1, Tier 2, Tier 3 and Tier 4 member retirees and Miscellaneous Tier 1, Tier 3, Tier 4 and Tier 5 member retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-San Jose area, is capped at 4 percent for Tier 1 members and 2 percent for all other members eligible for a cost-of-living adjustment.

The County of Sacramento and contracting districts contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Retirement Board. Employer contribution rates are adopted annually based upon recommendations received from SCERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2018, for FY 2017-18 (based on the June 30, 2017 valuation) was 20.46 percent of compensation.

All members are required to make contributions to SCERS regardless of the retirement plan or tier in which they are included. The average member contribution rate for the fiscal year ended June 30, 2019 (based on the June 30, 2017 valuation), was 10.14 percent of compensation.

Contributions - Benefits payable by the System are financed through member contributions, employer contributions, and earnings from investments. Member contributions are required by law. Contribution rates, which are actuarially determined, are based on age at entry into the System (a single rate is used for members entering the System after January 1, 1975). County, Superior Court and Member Districts' contributions are actuarially determined to provide for the balance of contributions needed. This rate includes an additional amount required for the annual cost-of-living increases for retired members of the Miscellaneous Tier 1, Tier 3, Tier 4 and Tier 5 and Safety Tiers. All contribution rates are reviewed and revised annually. The authority for both benefit provisions and contribution obligations is derived from the County Employees Retirement Law of 1937 and California Public Employees' Pension Reform Act of 2013 (CalPEPRA).

(amounts expressed in thousands)

Employee and employer contribution rates for the fiscal year ended June 30, 2019, are as follows:

	Miscellaneous Cost Pool - Contribution Rates				
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
Employee	8.78 to 9.72%	7.25 to 8.37%	8.78 to 10.86%	9.80 to 10.27%	9.37%
Employer	10.84 to 11.64%	8.21 to 9.30%	10.95 to 12.82%	10.37 to 10.78%	9.37%

	Safety Cost Pool - Contribution Rates			
	Tier 1	Tier 2	Tier 3	Tier 4
Employee	21.64%	19.50%	18.63%	15.05%
Employer	23.74%	19.61%	18.66%	15.05%

For the fiscal year ended June 30, 2019, the employer contributions to the Retirement Plan were equal to the actuarially determined required employer contributions as follows:

Employer Contributions	Governmental Activities	Business-type Activities	Total	Component Unit First 5 Commission
County - Miscellaneous Tier	$ 104,515	7,940	112,455	222
County - Safety Tier	96,107	1,051	97,158	
Carmichael Recreation and Park District - Miscellaneous	360		360	
Mission Oaks Recreation and Park District - Miscellaneous	338		338	
Sunrise Recreation and Park District - Miscellaneous	810		810	
Total Employer Contributions	$ 202,130	8,991	211,121	222

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the County of Sacramento and its component unit reported net pension liabilities for its proportionate share of the net pension liability of the Retirement Plan as follows:

	Governmental Activities	Business-type Activities	Total	Component Unit First 5 Commission
County - Miscellaneous Tier	$ 793,183	58,999	852,182	1,821
County - Safety Tier	860,011	9,625	869,636	
Carmichael Recreation and Park District - Miscellaneous	2,718		2,718	
Mission Oaks Recreation and Park District - Miscellaneous	2,893		2,893	
Sunrise Recreation and Park District - Miscellaneous	6,015		6,015	
Total Net Pension Liability	$ 1,664,820	68,624	1,733,444	1,821

(amounts expressed in thousands)

The County's net pension liability for the Retirement Plan is measured as the proportionate share of the net pension liability. The net pension liability (NPL) for the plan was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability for each membership class was calculated based on the participants and benefits provided for the respective membership class; and the Retirement Plan's fiduciary net position was determined in proportion to the valuation of the value of assets for each membership class. The County is the sole active employer in the Safety membership class as of the measurement date June 30, 2018 that made contributions in FY 2018-19; therefore 100 percent of pension amounts for the Safety membership class are allocated to the County. For the Miscellaneous membership class, actual contributions for Miscellaneous employers for the fiscal year ended June 30, 2018, are used as the basis for determining each Miscellaneous employer's proportion of pension amounts. The County's proportionate share of the net pension liability measured as of June 30, 2017 and 2018, was as follows:

	County	Carmichael	Mission Oaks	Sunrise	Component Unit First 5 Commission
Proportion - June 30, 2017	86.316 %	0.128 %	0.154 %	0.278 %	0.115 %
Proportion - June 30, 2018	87.788 %	0.139 %	0.147 %	0.307 %	0.093 %
Change - Increase (Decrease)	1.472 %	0.011 %	(0.007)%	0.029 %	(0.022)%

For the fiscal year ended June 30, 2019 the County recognized pension expense of $339,472 and the First 5 Commission of $344. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources (next page) related to pensions from the following sources:

	Deferred Outflows of Resources							
	Governmental Activities							
	County	Carmichael	Mission Oaks	Sunrise	Total	Business-type Activities	Total	Component Unit First 5 Commission
Differences between actual and expected experience	$ 16,517	1	1	1	16,520	196	16,716	
Changes in assumptions	398,839	670	713	1,482	401,704	16,816	418,520	449
Changes in proportions	14,233	210	423	1,132	15,998	966	16,964	53
Pension contributions made subsequent to measurement date	200,622	360	338	810	202,130	8,991	211,121	222
Total deferred outflows related to pension	$ 630,211	1,241	1,475	3,425	636,352	26,969	663,321	724

(amounts expressed in thousands)

	Deferred Inflows of Resources							
	Governmental Activities							
	County	Carmichael	Mission Oaks	Sunrise	Total	Business-type Activities	Total	Component Unit First Five Commission
Differences between actual and expected experience	$ 40,485	60	64	133	40,742	1,561	42,303	40
Net difference between projected and actual earnings on plan investments	103,578	185	197	409	104,369	4,564	108,933	124
Changes in proportion	18,486	65	57		18,608	1,252	19,860	153
Total deferred inflows related to pensions	$ 162,549	310	318	542	163,719	7,377	171,096	317

The $211,121 and $222 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability during the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	County	Carmichael	Mission Oaks	Sunrise	Total	Component Unit First 5 Commission
2020	$ 71,556	147	211	535	72,449	48
2021	71,556	147	211	535	72,449	48
2022	71,556	147	211	535	72,449	48
2023	62,973	130	186	468	63,757	41
	$ 277,641	571	819	2,073	281,104	185

(amounts expressed in thousands)

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	County and Special District Miscellaneous	Safety
Valuation Date	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:		
Discount Rate	7.00%	7.00%
Inflation	3.00%	3.00%
Real across-the-board salary increase	0.25%	0.25%
Projected Salary Increase*	4.50% to 8.25%	5.25% to 10.75%
Assumed post-retirement benefit increase	0% to 3.00%	2% to 3.00%
Post-Retirement Mortality		
a) Service	RP-2014 Healthy Mortality Table projected generationally with the two-dimensional scale MP-2016 set forward one year for males and no age adjustment for females	RP-2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional scale MP-2016 set back four years for males and females.
b) Disability	RP-2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional scale MP-2016 set forward seven years for males and set forward eight years for females	RP-2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional scale MP-2016 set forward four years for males and females
c) Employee Contribution Rate	RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional scale MP-2016 set forward one year for males and no age adjustment for females, weighted 40% male and 60% female projected with Scale BB to 2022 weighted 40% male and 60% female	RP-2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional scale MP-216 set back four years for males and females, weighted 75% male and 25% female
Pre-Retirement Mortality	Based upon the June 30, 2016 Actuarial Experience Study, which can be found on SCERS' website	Based upon the June 30, 2016 Actuarial Experience Study, which can be found on SCERS' website

*Includes inflation at 3.00 percent plus real across-the-board salary increase of 0.25 percent plus merit and longevity increases.

(amounts expressed in thousands)

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made based on the current contribution rate and that employer contributions will be made at the end of each pay period based on the actuarially determined contribution rates. For this purpose, only the employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2018, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	17.00 %	5.61 %
U.S. Small Cap Equity	4.00 %	6.37 %
International Developed Equity	16.00 %	6.96 %
Emerging Markets Equity	4.00 %	9.28 %
High Yield Bonds	1.00 %	3.65 %
Bank Loans	1.00 %	2.96 %
Growth Oriented Abs. Return	3.00 %	4.97 %
Private Equity	9.00 %	8.70 %
Private Credit/Private Debt	4.00 %	5.10 %
Core/Core Plus Bonds	10.00 %	1.06 %
Global Bonds	3.00 %	0.07 %
U.S. Treasury	5.00 %	0.16 %
Diversifying Abs. Return	7.00 %	3.04 %
Private Real Estate	7.00 %	4.37 %
Private Assets	7.00 %	7.74 %
Commodities	2.00 %	3.76 %
Total Portfolio	**100.00 %**	

(amounts expressed in thousands)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County, Carmichael, Mission Oaks, Sunrise, and First 5 Commission's proportionate share of the net pension liability, calculated using the discount rate for each, as well as what proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Net Pension Liability	County	Carmichael	Mission Oaks	Sunrise	Total	Component Unit First 5 Commission
1% Decrease (6.00%)	$3,099,884	4,894	5,208	10,829	3,120,815	3,279
Current Discount Rate (7.00%)	1,721,818	2,718	2,893	6,015	1,733,444	1,821
1% increase (8.00%)	596,152	941	1,002	2,083	600,178	631

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued SCERS financial reports available on their website http://www.SCERS.org.

NOTE 15 - POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description: The County participates in a single-employer plan and has established a Retiree Healthcare Plan (HC Plan), which does not issue a publicly available report. In December 2016 and September 2017, the Board of Supervisors approved the Retiree Medical and Dental Insurance Program Administrative Policy for calendar years 2017 and 2018, respectively. The County provides access to group medical insurance and dental insurance, medical and dental offset payments to a specific group of eligible retirees as a result of a settlement. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided: All annuitants are eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if 1) they began receiving a continuing retirement allowance from SCERS during that calendar year, or 2) they were enrolled in the annual plan previously approved by the County (continuous coverage), or 3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year.

The County pays a medical and/or dental subsidy/offset to eligible annuitants who retired on or after May 31, 2007 from bargaining unit 003-Law Enforcement, Non-Supervisory, as a result of a settlement. The amount the medical and/or dental subsidy/offset payments made available to this group of eligible annuitants is calculated based upon the annuitant's SCERS service credit. Neither SCERS nor the County guarantees that a subsidy/offset payment will be made available to annuitants for the purchase of County-sponsored medical and/or dental insurance beyond the current term of the contract between the County and Bargaining Unit 003-Law Enforcement, Non-Supervisory which expires June 30, 2021. Subsidy/offset payments are not a vested benefit of County employment or SCERS membership and will remain in place until eliminated through the bargaining process. The amount of the subsidy/offset payment, if any, payable on account of enrollment in a County sponsored retiree medical and/or dental insurance plan will also remain in place until modified or eliminated through the bargaining process. Annuitants from bargaining unit 003-Law Enforcement, Non-Supervisory are eligible for a medical premium subsidy according to the schedule on the following page:

(amounts expressed in thousands)

Service at Retirement	Amount of Subsidy/Offset for Bargaining Unit 003 - Law Enforcement, Non-Supervisory (amounts in dollars)
Less than 10 years	$ 122
10-14 years	152
15-19 years	182
20-24 years	212
25 or more years	244
*Dental if eligible for medical subsidy	$ 25

*The actual premium rate for the retiree dental plan is approved by the Board of Supervisors in conjunction with the approval of all the retiree health plans on an annual basis.

The total benefits paid in FY 2018-19 totaled $6,904 for the County and $8 for the First 5 Commission.

At June 30, 2018, the most recent valuation date, the following current and former employees (actual counts) were covered by the benefit terms under the HC Plan:

Active employees	11,101
Inactive employees receiving benefits	5,923
Inactive employees entitled to but not yet receiving	5,636
Total	22,660

OPEB Liability:
The County's total OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017. A summary of principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Assumption	June 30, 2018 Measurement Date
Valuation Date	June 30, 2017
Discount Rate	3.87% using the Bond Buyer 20-Bond GO Index
Inflation	2.75 per annum
Mortality Rate	SCERS 2013-2016 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generation with Scale MP-2017
Medical Trend	7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years

(amounts expressed in thousands)

Changes in the total OPEB liability for the HC Plan measured as of June 30, 2018 are as follows:

	Governmental Activities							
	County	Carmichael	Mission Oaks	Sunrise	Total	Business-Type Activities	Total	Component Unit First 5 Commission
Balance at June 30, 2018	$ 159,977	156	102	143	160,378	8,736	169,114	178
Changes recognized for the measurement period								
Service cost	11,511	11	11	28	11,561	676	12,237	13
Interest on the total OPEB liability	6,052	6	4	6	6,068	326	6,394	7
Changes of assumptions	(4,314)	(3)	(1)	(3)	(4,321)	(196)	(4,517)	(4)
Changes in proportion	408				408	(145)	263	(5)
Benefit payments	(5,722)	(7)	(9)	(3)	(5,741)	(328)	(6,069)	(7)
Net changes	7,935	7	5	28	7,975	333	8,308	4
Balance at June 30, 2019	$ 167,912	163	107	171	168,353	9,069	177,422	182

Sensitivity of the Total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the County if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018.

Total OPEB Liability	County	Carmichael	Mission Oaks	Sunrise	Total	Component Unit First 5 Commission
1% decrease (2.87%)	$ 193,142	172	111	182	193,607	196
Current discount rate (3.87%)	$ 176,981	163	107	171	177,422	182
1% increase (4.87%)	$ 162,448	154	102	160	162,864	169

Sensitivity of the Total OPEB liability to Changes in the Health Care Cost Trend Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

	County	Carmichael	Mission Oaks	Sunrise	Total	Component Unit First 5 Commission
1% Decrease (6.5% decreasing to 3.0% in 2076)	$ 159,784	147	98	151	160,180	161
Current rate (7.5% decreasing to 4.0% in 2076)	$ 176,981	163	107	171	177,422	182
1% increasing (8.5% decreasing to 5.0% in 2076)	$ 197,172	181	117	195	197,665	207

(amounts expressed in thousands)

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB:
For the fiscal year ended June 30, 2019, the County recognized OPEB expense of $16,433 and the First 5 Commission recognized OPEB expense of $18. As of June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources

	Governmental Activities							
	County	Carmichael	Mission Oaks	Sunrise	Total	Business-type Activities	Total	Component Unit First 5 Commission
Changes in proportion	$ 4,961				4,961	10	4,971	
Benefits provided subsequent to the measurement date	6,514	10	3	8	6,535	369	6,904	8
Total	$ 11,475	10	3	8	11,496	379	11,875	8

Deferred Inflows of Resources

	Governmental Activities							
	County	Carmichael	Mission Oaks	Sunrise	Total	Business-type Activities	Total	Component Unit First 5 Commission
Changes of assumptions	$ 13,088	9	5	4	13,106	602	13,708	12
Changes in proportion	4,599				4,599	139	4,738	4
Total	$ 17,687	9	5	4	17,705	741	18,446	16

(amounts expressed in thousands)

The $6,904 and $8 reported as deferred outflows of resources related to benefits paid subsequent to measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30	County	Carmichael	Mission Oaks	Sunrise	Total	Component Unit First 5 Commission
2020	$ (2,194)	(1)	(1)	(1)	(2,197)	(3)
2021	(2,194)	(1)	(1)	(1)	(2,197)	(3)
2022	(2,194)	(1)	(1)	(1)	(2,197)	(3)
2023	(2,194)	(1)	(1)	(1)	(2,197)	(3)
2024	(2,194)	(2)	(1)		(2,197)	(3)
2025 - 2026	(2,487)	(3)			(2,490)	(1)
Total	$ (13,457)	(9)	(5)	(4)	(13,475)	(16)

(amounts expressed in thousands)

NOTE 16 - SELF-INSURANCE

The County self-insures for property damage, general liability, workers' compensation, and unemployment insurance claims. Self-insurance programs are accounted for in internal service funds, and interfund premium charges are treated as interfund services. Interfund premiums are based primarily upon the insured funds' claims experience and are adjusted for any excess or deficit net position within the self-insurance funds. It is the County's policy to fund the governmental funds' liability for premium charges by making provisions in budgets of succeeding years. The self-insurance internal service funds recognize revenue and the owing funds recognized an expense/expenditure when the owing funds are charged by the self-insurance internal service funds.

The Liability/Property and the Workers' Compensation Self-Insurance funds' estimated claim liabilities are actuarially based and include claims incurred but not reported. The estimated liabilities include provisions for allocated claims adjustment expenses, including administrative, attorney, and other associated expenses. Proceeds received for salvage and subrogation are recognized as revenue in the year of receipt, and therefore are not included in the estimated liabilities.

During the past three fiscal years, no instances or settlements exceeded insurance coverage.

Reconciliation of Claims Liabilities

	Liability/Property		Worker's Compensation		Unemployment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Unpaid claims and claim adjustment expenses at beginning of the fiscal year								
Current portion	$ 12,683	11,873	24,818	24,336	175	189	37,676	36,398
Noncurrent	37,454	30,188	159,564	156,895			197,018	187,083
Total beginning balance, July 1	50,137	42,061	184,382	181,231	175	189	234,694	223,481
Incurred claims and claim adjustment expenses:								
Provision for insured events for current year	10,873	11,624	22,574	20,375	1,096	1,163	34,543	33,162
Increase in provision for insured events of prior fiscal years	11,491	17,853	11,606	7,377			23,097	25,230
Total incurred claims and claim adjustment expenses	22,364	29,477	34,180	27,752	1,096	1,163	57,640	58,392
Less Payments:								
Claims and claim adjustment expenses attributable to insured events of current fiscal year	539	802	2,919	2,532	902	988	4,360	4,322
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	24,762	20,599	22,912	22,069	175	189	47,849	42,857
Total payments	25,301	21,401	25,831	24,601	1,077	1,177	52,209	47,179
Total unpaid claims and claim adjustment expenses at end of the fiscal year, June 30	$ 47,200	50,137	192,731	184,382	194	175	240,125	234,694
Current portion of unpaid claims and claim adjustments	$ 12,105	12,683	26,412	24,818	194	175	38,711	37,676
Noncurrent portion of unpaid claims and claim adjustments	35,095	37,454	166,319	159,564			201,414	197,018
Total current and noncurrent unpaid and claim adjustment expenses at end of the fiscal year	$ 47,200	50,137	192,731	184,382	194	175	240,125	234,694

(amounts expressed in thousands)

Coverage for specific perils required under the terms of certain debt issues and County policies obtained from outside carriers is as follows:

Coverage	Amount	Deductible	Provision
Airport Liability & Hangerkeepers	$ 500,000 *	$ 10	Each occurrence
Property Program:			
Property Insurance (All Risk)	1,500,000 *	50	Each occurrence
Flood	1,200,000 *	50 (100 if in Zone A)	Each occurrence
Earthquake (EQ)	25,000 *	2 percent / 100 minimum	Per building / Each occurrence
Sheriff Vehicle Physical Damage	13,000	10	Each occurrence
Boiler/Machinery	100,000	5 (25 at Water Treatment Plant locations)	Each occurrence
Crime:			
Faithful Performance	15,000	25	Each occurrence
Employee Dishonesty	15,000	25	Each occurrence
Forgery/Money/Computer Fraud	15,000	25	Each occurrence
Sheriff's Helicopters/Airplanes			
Liability	25,000	None	Not applicable
Hull (Physical Damage)	8,671	Various	Helicopters - 1 percent of Aircraft Value Airplanes - Nil Deductible
Cyber Liability	5,000	100	Each occurrence
Fiduciary Retirement Liability	10,000	50	Each claim
General Liability (Excess)	25,000	2,000	Self-insured retention
Pollution Liability	10,000	250	Each occurrence
Workers' Compensation (Excess)	Statutory *	3,000	Self-insured retention
Employers' Liability	5,000 *	3,000	Self-insured retention

* Airport Liability and Hangerkeepers - Effective June 30, 2015, War Risk is included at $500 million and Terrorism is included at $500 million. Both are per occurrence and annual aggregate. Property - County property is covered for Terrorism Coverage subject to a $750 million occurrence and annual aggregate limit. Effective March 31, 2008, EQ is capped at $25 million. Effective March 31, 2019, All Risk total is at $1.5 billion (total of Towers I, II, IV and V primary and excess on an actual at risk and tower-capped basis). Effective March 31, 2019, Flood total is at $1.2 billion (total of Towers I, II, IV and V primary and excess on an actual at risk and tower-capped basis). Effective July 1, 2008, Workers' Compensation (Excess) limit is statutory rather than a dollar limit. Effective July 1, 2008, Employers' Liability (Excess) limit is at $5 million.

(amounts expressed in thousands)

NOTE 17 - RESTRICTED NET POSITION

Restricted net position is net position subject to constraints either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provision or enabling legislation. Restricted net position as of June 30, 2019, are as follows:

	Governmental Activities	Business-type Activities	Total
Bond reserves	$	53,816	53,816
Landfill closure		9,579	9,579
Kiefer Wetlands Preserve		1,031	1,031
Debt service	79,225	23,158	102,383
Capital projects	96,696	861	97,557
Passenger facility charges		37,791	37,791
Customer facility charges		1,118	1,118
Public protection	73,086		73,086
Public assistance	38,742		38,742
Health and sanitation programs	244,992		244,992
Transportation	59,937	1,045	60,982
Lighting and landscape maintenance	4,141		4,141
Economic development	57,691		57,691
Environmental management	13,806		13,806
Other	11,230		11,230
Endowments:			
Expendable		2,029	2,029
Nonexpendable		173	173
Total	$ 679,546	130,601	810,147

Net position restricted by enabling legislation are comprised of $37,791 (FAA approved passenger facility charges) and $4,141 (lighting and landscape maintenance) in the Statement of Net Position at June 30, 2019.

Restricted Net Position includes:

- *Bond reserves* - funds that are restricted due to being held to meet bond reserve requirements for the Airport and Water Agency.
- *Landfill closure* - resources legally restricted to finance closure care costs in the future.
- *Kiefer Wetlands Preserves* - funding for the preservation of vernal pools at the Kiefer landfill.
- *Debt service* - finance payment of interest and principal on bonds or other long-term borrowing in accordance with bond indentures.
- *Capital projects* - financial resources used in the acquisition or construction of major capital facilities in accordance with bond indentures.

- *Passenger facilities charges* - fees collected from airline passengers which are required to be used to finance Airport projects.

- *Customer facility charges* - fees collected from rental car customers which are required to be used to finance the following Airport projects: 1) rental car facilities; 2) or 2) Transportation Systems at the Airport

- *Public protectio*n - public protection programs are comprised of the following:
  - *Probation* - funds that are restricted for the Probation Department.
  - *Police protection* - funds that are restricted for the Sheriff's Department.
  - *Clerk-Recorder* - funds that are restricted for the County Clerk-Recorder.
  - *Dispute resolution* - funds that are restricted for dispute resolution.
  - *Community development* - funds that are restricted for Community Development activities.
  - *Protection and inspection* - funds that are restricted for the Agricultural Commissioner.
  - *Fire protection* - funds that are restricted for Natomas Fire Protection, a dependent special district.

- *Public assistance* - public assistance consist of state funding for realignment programs:

- *Health and sanitation programs* - health programs are comprised of the following:
  - *Water Agencies* - drainage fees and assessments used to protect the community from flood hazards.
  - *Stormwater Utilities* - stormwater utility fees, ad valorem tax proceeds, interest income and other various revenues to provide storm drainage, flood control, flood preparation and stormwater quality management services.
  - *Tobacco* - proceeds from the tobacco litigation settlement to be used for the operation of health, youth, and tobacco prevention programs.
  - *Tobacco Securitization Authority* - reports the activities related to the County securitizing its portion of the nation-wide Tobacco Settlement Agreement.
  - *In-Home Support Services* - state funding for services to aged, blind and disabled persons who are unable to remain in their homes without assistance.
  - *Mental Health Services* - state funding from 1% income tax on personal income in excess of $1 million.
  - *Alcohol and Drug programs* - state funding for alcohol and drug programs.
  - *Realignment* - state funding for realignment programs.

- *Transportation* - funds from developer fees and transportation sales tax used to finance construction, improvements and maintenance of the County road system.

- *Lighting and landscape maintenance* - funds from special assessments used to maintain landscaped corridors, medians and natural open space.

- *Economic development* - primary programs revolve around the reuse programs and the Business Environment Resource Center (BERC) program.

- *Environmental management* - provide mandated regulatory services that protect public health and the environment and funded through client fees, revenue from contracts, and other outside revenue sources.

- *Other* - includes programs related to recreation and culture, and education.

- *Endowments* - to be used to support the Airport public art in perpetuity.

(amounts expressed in thousands)

NOTE 18 - FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted and assigned (see Note 1 for a description of these categories). A detailed schedule of fund balances as of June 30, 2019, is as follows:

	Major	Nonmajor Governmental Funds			
	General Fund	Special Revenue	Debt Service	Capital Project	Total
Nonspendable:					
Inventory	$ 1,358				1,358
Long-term receivables	6,380				6,380
Prepaid items	3,881				3,881
Teeter Plan delinquencies	891				891
Teeter Plan tax loss	5,809				5,809
Total nonspendable:	18,319				18,319
Restricted for:					
Public protection:					
Law Enforcement	17,678	7,646			25,324
Clerk Recorder	26,728				26,728
Community Development		10			10
Protection and Inspection		20,603			20,603
Fire Protection		421			421
Health and sanitation:					
Stormwater utility		23,961			23,961
Mental Health Services	160,682				160,682
Realignment	5,353				5,353
Solid Waste Authority		3,718			3,718
Tobacco Securitization Authority		503			503
Water Agencies		49,830			49,830
In-Home Support Services		945			945
Public assistance	38,742				38,742
Public ways and facilities		52,798		7,139	59,937
Recreation and culture	3,262	7,824			11,086
Education		144			144
Capital projects				96,696	96,696
Economic development		57,691			57,691
Lighting and landscape		4,141			4,141
Environmental management		13,806			13,806
Debt service	8,624		70,601		79,225
Total restricted	261,069	244,041	70,601	103,835	679,546
Assigned for:					
Future litigation settlement costs	5,134				5,134
Technology upgrades	325				325
Projected budgetary deficit	69,844				69,844
Total assigned	75,303				75,303
Total	$ 354,691	244,041	70,601	103,835	773,168

NOTE 19 - CONTINGENCIES

The County is a defendant in various lawsuits related to self-insurance programs and for other claims, including construction, property tax assessments, and claims arising from audits of federal and state-funded programs. Some claims may not be covered under the County's excess liability insurance policy; however, management is of the opinion that the potential liability would not have a significant adverse effect on the County's financial position.

Schneider/Hardesty et al. v. County of Sacramento

On September 8, 2010, the Schneider and Hardesty family (Plaintiffs) filed a lawsuit against the County claiming that the County violated their procedural and substantive due process rights when the County "revoked" a previously supposedly recognized "vested right" to mine and imposed a requirement that the plaintiffs apply for a use permit.

The complaint was filed in Federal Court on September 8, 2010, and preceded to trial in February 2017, after the granting of partial summary judgment, and the dismissal of a number of County employee defendants, on theories of procedural and substantive due process and retaliation against the County. The jury awarded nominal damages in favor of the Schneider and Hardesty plaintiffs on procedural due process claims; and in favor of the Schneiders on a retaliation claim. The jury also awarded Schneider and Hardesty plaintiffs on the substantive due process claims.

The County and the Individual Defendants have timely appealed to the U.S. Court of Appeals for the Ninth Circuit and the two appeals have been consolidated. The appeal is fully briefed and the parties are awaiting the setting of Oral Argument, which will occur the first quarter of 2020. Enforcement of the judgment is presently stayed and the County has posted a judgment bond as required by the Court. The County believes there are favorable arguments for reversing the judgment. The Ninth Circuit is not likely to issue its decision in calendar year 2020.

Lorenzo Mays, et al. v. County of Sacramento

On February 20, 2015, Disability Rights California (DRC) wrote to Sheriff Jones advising they are the protection and advocacy system for the State of California with the responsibility for monitoring the rights and treatment of individuals in California who suffer from psychiatric disabilities.

On April 13, 2015, DRC and the Prison Law Office (PLO) conducted a tour of the Rio Cosumnes Correctional Center. On April 14, 2015, DRC and PLO conducted a tour of the Sacramento Main Jail. On August 4, 2015, DRC and PLO issued a letter advising they had conducted tours of both facilities and submitted their "Report on Inspection of the Sacramento County Jail." Within their report, DRC and PLO allege probable cause exists to conclude prisoners with disabilities are subjected to abuse and/or neglect in the Sacramento jails. Specifically, DRC and PLO allege they found evidence of the following violations of the rights of prisoners with disabilities:

- Undue and excessive isolation and solitary confinement;
- Inadequate mental health care; and
- Denial of rights under the Americans with Disabilities Act (ADA).

Subsequent to the issuance of that report and two County-retained mental health expert reports that were also critical of the County, the County entered into a tolling agreement with DRC and PLO. The County and the advocates continue negotiations, though no agreement was achieved. Litigation was ultimately filed in the U.S. District Court, Eastern District. Negotiations on these matters continued throughout the remainder of 2018 and into the spring of 2019. The negotiations culminated in the parties reaching agreement on all outstanding issues. The Board of Supervisors approved this settlement. The parties anticipate the court will approve the settlement agreed to in December 2019. Final judgment on this matter is expected in early calendar year 2020. The financial exposure to the County will include increases in operating costs due to staffing increases for the Sheriff's department, as well as increases in capital costs, which may include the construction of a new jail tower.

NOTE 20 - TAX ABATEMENTS

Sacramento County provides tax abatements under three programs: the Local Conservation Act Program, the Mills Act Program, and the Urban Agriculture Program.

Local Conservation Act Program

The California Land Conservation Act of 1965--commonly referred to as the Williamson Act--enables local governments to enter into contracts with private landowners for the purpose of restricting specific parcels of land to agricultural or related open space use. In return, landowners receive property tax assessments which are much lower than normal because they are based upon farming and open space uses as opposed to full market value. State funding was provided in 1971 by the Open Space Subvention Act, which created a formula for allocating annual payments to local governments based on acreage enrolled in the Williamson Act Program. Subvention payments were made through FY 2007-08, but have been suspended in more recent years due to revenue shortfalls.

The Assessor's Office does not set criteria for participation in the Williamson Act, nor the provisions contained in Williamson Act contracts regarding commitments by participants receiving property tax abatement, nor recapture provisions. The Assessor's Office performs annual property tax valuations using an income capitalization method in which the capitalization rate is the sum of specified interest, risk, and property tax components as prescribed in California Revenue and Taxation Code section 423. The Assessor enrolls the lowest of: 1) the property's restricted value as calculated above; 2) its Proposition 13 factored base year value; or 3) its current market value. No other commitments were made by the County as part of those agreements.

Mills Act Program

Economic incentives foster the preservation of residential neighborhoods and the revitalization of downtown commercial districts. The Mills Act is an important economic incentive program in California for the restoration and preservation of qualified historic buildings by private property owners. Enacted in 1972, the Mills Act legislation grants participating local governments (cities and counties) authority to enter into contracts with owners of qualified historic properties who actively participate in the restoration and maintenance of their historic properties while receiving property tax relief. The Mills Act allows local governments to design preservation programs to accommodate specific community needs and priorities for rehabilitating entire neighborhoods, encouraging seismic safety programs, contributing to affordable housing, promoting heritage tourism, or fostering pride of ownership. Local governments have adopted the Mills Act because they recognize the economic benefits of conserving resources and reinvestment as well as the important role historic preservation can play in revitalizing older areas, creating cultural tourism, building civic pride, and retaining the sense of place and continuity with the community’s past. A formal agreement, generally known as a Mills Act or Historical Property Contract, is executed between the local government and the property owner for a minimum ten-year term. Contracts are automatically renewed each year and are transferred to new owners when the property is sold. Property owners agree to restore, maintain, and protect the property in accordance with specific historic preservation standards and conditions identified in the contract. Periodic inspections by city or county officials ensure proper maintenance of the property. Local authorities may impose penalties for breach of contract or failure to protect the historic property. The contract is binding to all owners during the contract period.

The Assessor's Office is not involved in the process leading to the creation of a preservation contract. Each local government establishes their own criteria and determines how many contracts they will allow in their jurisdiction. Locally, these contracts are administered by the various planning departments within Sacramento County. The assessment of historic properties under preservation contract in California is governed by California Revenue and Taxation Code (RTC) Section 439 through 439.4. RTC section 439.2 provides that the assessor must annually value restricted historic properties using an income approach which employs a fair rent, allowable expenses and a built up capitalization rate. The taxable value of restricted historic properties each lien date shall be the lowest of their current market value, their factored base year value, or their restricted income value. No other commitments were made by the County as part of those agreements.

(amounts expressed in thousands)

Urban Agriculture Program

The Urban Agricultural Incentive Zones Act attempts to increase the use of privately owned, vacant land for urban agriculture and improve land security for urban agriculture projects. This legislation allows city governments, with approval from their county Board of Supervisors, to create "urban agriculture incentive zones" within their boundaries. Land owners within these zones who are willing to lease land for urban agriculture (for a minimum of five years) can potentially lower the assessed value on their land. The Assessor's Office does not create urban agriculture incentive zones or implementing contracts with land owners. Local jurisdictions create the geographic boundaries for each zone, enter into contracts with land owners, and process and enforce these contracts. Open-space land, under an urban agricultural incentive zone contract, is assessed based on the average annual per acre value of irrigated cropland in California as reported by the US Department of Agriculture's National Agricultural Statistics Service. The annual lien date value of land under an agricultural incentive zone contract will be the lower of the incentive zone valuation (described above), or the factored base year value. This assessment process is governed by RTC Section 422. No other commitments were made by the County as part of those agreements.

Tax Abatement Program	Amount of Taxes Abated During FY 2018-19
Land Conservation Act (Williamson Act)	$ 946

NOTE 21 - FUTURE GASB PRONOUNCEMENTS

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. This statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The County has not determined the effect, if any, on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The County has not determined the effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, effective for fiscal years beginning after December 15, 2018. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The County has not determined the effect, if any, on the financial statements.

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*, effective for fiscal years beginning after December 15, 2020. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The County has not determined the effect, if any, on the financial statements.

NOTE 22 - SUBSEQUENT EVENTS

Teeter Plan

On November 19, 2019, the County issued its 2019 Teeter Note and purchased under the Teeter Plan the delinquent secured property tax receivables at June 30, 2019, in the amount of $20,639 from the local taxing entities and selected special assessment districts in Sacramento County. The financing of this purchase was accomplished by a five-year legal, secured medium-term note obligations of the County that was purchased by the Treasurer's Pool. The terms of the note include the pooled investment fund rate of interest commencing on the effective date of the note. Such payments may be made more frequently, but not more often than quarterly. The note matures August 1, 2024. Note 1 (Property Taxes) and Note 8 further describe the Teeter issues.

Dry Period Financing

Article 16, Section 6, of the State Constitution, permits dry period financing. It states that the County Treasurer (Director of Finance) may make temporary transfers of funds as necessary to meet the obligations incurred by district and political subdivisions whose funds are "….in custody and are paid out solely through the treasurer's office."

In 1980, the Board of Supervisors adopted a resolution (80-1434) to permit entities that collected the 1 percent ad valorem tax to obtain temporary cash transfers. Later, constitutional changes and associated County resolutions expanded this to include "all anticipated revenues". In accordance with the State Constitution, borrowing is permitted until the last Monday in April of each fiscal year in amounts that do not exceed 85 percent of all anticipated revenues.

As such, in FY 2019-20 the County General Fund may utilize up to 85 percent of its anticipated (estimated) revenues during the 'dry period' to meet any obligations incurred. The money is essentially loaned by the County Treasurer's Investment Pool (Treasury Pool), and accordingly, any funds loaned and interest costs incurred must be repaid by the General Fund. Dry period financing in the months of July through September was based on the General Fund's $1.715 billion in estimated revenues approved in the County's FY 2019-20 Preliminary Budget. The County's final FY 2019-20 Budget was approved in September 2019 and the dry period financing amount was adjusted to reflect the final General Fund estimated revenues of $1.721 billion. In addition, on a monthly basis, as revenue is received the dry period financing amount is decreased accordingly.

Water Revenue Refunding Bonds

On October 31, 2019, the Sacramento County Water Financing Authority issued $88,270 of Water Agency Revenue Bonds, for the Sacramento County Water Agency Zones 40 and 41 2019 Refunding Project Series. The bonds were issued to refund in full the outstanding 2007A Sacramento County Water Agency Zones 40 and 41 2007 Water System Project Revenue Bonds, which had an outstanding principal amount of $103,185 as of June 30, 2019.

NOTE 23 - SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

In accordance with Assembly Bill (AB) 1X 26 and AB 1434, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012. The County of Sacramento elected to be appointed as Redevelopment Agency Successor Agency (RASA) for the redevelopment project areas for the purpose of winding down the affairs of the RASA. The RASA was created to serve, in a fiduciary capacity, as custodian for the assets and to wind down the affairs of the former Redevelopment Agency (RDA). The RASA operates under the auspices of a legislatively formed oversight board who has authority over its financial affairs and supervises its operations and timely dissolution. The assets are held in trust for the benefit of the taxing entities within the former RDA boundaries and as such are not available for County use. The RASA is responsible for preparing and submitting to the State Department of Finance the recognized obligation payment schedule (ROPS) for the enforceable obligations due, and remitting payments for the approved enforceable obligations of the former Redevelopment Agency's redevelopment project areas. Once the ROPS is approved by the State Department of Finance, and provided sufficient tax revenues are available, the County Auditor-Controller's Office distributes property taxes to the RASA from the County's Redevelopment Property Tax Trust Fund (RPTTF) for payment of enforceable obligations. It is reasonably possible that the State Department of Finance could invalidate any of the obligations reported on the Successor Agency's Recognized Obligations Payment Schedule.

In July 2013, the County received notification of "Finding of Completion" from the State Department of Finance, which allows for: 1) loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was made for legitimate redevelopment purposes per Health and Sanitation Code (HSC) Section 34191.4(b)(1); and 2) utilizing derived proceeds from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants per HSC Section 34191.5(b), within six months from the date of the letter. The County Redevelopment Successor Agency Long Range Property Management Plan was approved by the oversight board on October 21, 2013.

During the fiscal year ended June 30, 2015, the County became aware that the RASA has a joint ownership position for a property located at 801 12th Street, Sacramento, California. The County's percentage of ownership and value of the property is yet to be determined. The County is working with the other owners of the property to determine the values of ownership for each entity.

As of June 30, 2019, the RASA owes the Sacramento County Public Financing Authority $59,645.

COUNTY OF SACRAMENTO
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN YEARS[A]
(amounts expressed in thousands)

Retirement Plan - Schedule of Proportionate Share of the Net Pension Liability

County	2019	2018	2017	2016	2015[A]
Proportion of the net pension liability	87.788 %	86.316 %	86.792 %	89.005 %	89.865 %
Proportionate share of the net pension liability	$ 1,721,818	$ 1,838,027	$ 1,538,375	$ 1,023,390	$ 692,793
Covered payroll[B]	$ 843,336	$ 816,112	$ 780,978	$ 745,978	$ 731,874
Proportionate share of the net pension liability as a percentage of its covered payroll	204.17 %	223.50 %	196.98 %	137.19 %	94.66 %
Plan fiduciary net position as a percentage of the total pension liability	82.51 %	80.37 %	81.40 %	87.26 %	91.02 %
Carmichael					
Proportion of the net pension liability	0.139 %	0.128 %	0.140 %	0.119 %	0.102 %
Proportionate share of the net pension liability	$ 2,718	$ 2,687	$ 2,457	$ 1,373	$ 787
Covered payroll[B]	$ 1,143	$ 1,178	$ 1,138	$ 1,096	$ 1,040
Proportionate share of the net pension liability as a percentage of its covered payroll	237.81 %	258.59 %	215.94 %	125.27 %	75.67 %
Plan fiduciary net position as a percentage of the total pension liability	82.51 %	80.37 %	81.40 %	87.26 %	91.02 %
Mission Oaks					
Proportion of the net pension liability	0.147 %	0.154 %	0.100 %	0.095 %	0.083 %
Proportionate share of the net pension liability	$ 2,893	$ 3,224	$ 1,752	$ 1,090	$ 643
Covered payroll[B]	$ 1,148	$ 1,037	$ 782	$ 851	$ 826
Proportionate share of the net pension liability as a percentage of its covered payroll	252.07 %	28.90 %	224.02 %	77.86 %	77.85 %
Plan fiduciary net position as a percentage of the total pension liability	82.51 %	80.37 %	81.40 %	87.26 %	91.02 %
Sunrise					
Proportion of the net pension liability	0.307 %	0.278 %	0.189 %	0.169 %	0.142 %
Proportionate share of the net pension liability	$ 6,015	$ 5,833	$ 3,321	$ 1,939	$ 1,046
Covered payroll[B]	$ 2,558	$ 1,911	$ 1,495	$ 1,521	$ 1,092
Proportionate share of the net pension liability as a percentage of its covered payroll	235.12 %	256.04 %	222.17 %	127.48 %	95.79 %
Plan fiduciary net position as a percentage of the total pension liability	82.51 %	80.37 %	81.40 %	87.26 %	91.02 %
Component Unit First 5 Commission					
Proportion of the net pension liability	0.093 %	0.115 %	0.114 %	0.099 %	0.096 %
Proportionate share of the net pension liability	$ 1,821	$ 2,226	$ 1,846	$ 1,059	$ 693
Covered payroll[B]	$ 1,316	$ 1,423	$ 1,313	$ 1,177	$ 1,262
Proportionate share of the net pension liability as a percentage of its covered payroll	138.38 %	173.40 %	140.59 %	89.97 %	54.92 %
Plan fiduciary net position as a percentage of the total pension liability	82.51 %	80.37 %	81.40 %	87.26 %	91.02 %
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Notes to Schedule:

A) FY 2014-15 was the first year of implementation.
B) Covered payroll represents pensionable compensation for the fiscal year of the measurement period.
C) In FY 2017-18, there was a reduction in the discount rate from 7.5% to 7.0%.

COUNTY OF SACRAMENTO
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN YEARS[A]
(amounts expressed in thousands)

Retirement Plan - Schedule of Contributions

County	2019	2018	2017	2016	2015[A]
Contractually required contribution	$ 209,613	$ 172,257	$ 174,767	$ 180,678	$ 191,907
Contributions in relation to the contractually required contribution	(209,613)	(172,257)	(174,767)	(180,678)	(191,907)
Covered payroll[B]	$ 874,552	$ 843,336	$ 816,112	$ 780,978	$ 745,978
Contributions as a percentage of covered payroll	23.97 %	20.43 %	21.41 %	23.13 %	25.73 %
Carmichael					
Contractually required contribution	$ 360	$ 296	$ 274	$ 309	$ 325
Contributions in relation to the contractually required contribution	(360)	(296)	(274)	(309)	(325)
Covered payroll[B]	$ 1,239	$ 1,143	$ 1,178	$ 1,138	$ 1,096
Contributions as a percentage of covered payroll	29.06 %	25.90 %	23.00 %	27.15 %	29.65 %
Mission Oaks					
Contractually required contribution	$ 338	$ 315	$ 1,007	$ 221	$ 258
Contributions in relation to the contractually required contribution	(338)	(315)	(1,007)	(221)	(258)
Covered payroll[B]	$ 1,101	$ 1,148	$ 1,037	$ 782	$ 851
Contributions as a percentage of covered payroll	30.70 %	27.44 %	97.11 %	28.26 %	30.32 %
Sunrise					
Contractually required contribution	$ 810	$ 655	$ 597	$ 419	$ 459
Contributions in relation to the contractually required contribution	(810)	(655)	(597)	(419)	(459)
Covered payroll[B]	$ 2,839	$ 2,558	$ 1,911	$ 1,495	$ 1,521
Contributions as a percentage of covered payroll	28.53 %	25.61 %	31.24 %	28.03 %	30.18 %
Component Unit First 5 Commission					
Contractually required contribution	$ 222	$ 198	$ 228	$ 233	$ 251
Contributions in relation to the contractually required contribution	(222)	(198)	(228)	(233)	(251)
Covered payroll[B]	$ 1,245	$ 1,316	$ 1,423	$ 1,313	$ 1,177
Contributions as a percentage of covered payroll	17.83 %	15.05 %	16.02 %	17.75 %	21.33 %

Notes to Schedule:
A) FY 2014-15 was the first year of implementation.
B) Covered payroll represents pensionable compensation for the current fiscal year.

COUNTY OF SACRAMENTO
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN YEARS[A]
(amounts expressed in thousands)

OPEB - Schedule of Changes in the Total OPEB Liability and Related Ratios

County	2019	2018[A]
Service cost	$ 12,187	12,977
Interest on the total OPEB liability	6,378	5,122
Changes in assumptions	(4,510)	(13,042)
Changes in proportion	263	
Benefit payments	(6,050)	(6,051)
Net change in total OPEB liability	8,268	(994)
Total OPEB liability - beginning	168,713	169,707
Total OPEB Liability - ending	$ 176,981	168,713
Covered employee payroll	$ 765,327	818,852
Total OPEB liability as a percentage of covered payroll	23 %	21 %

Carmichael	2019	2018[A]
Service cost	$ 11	12
Interest on the total OPEB liability	6	4
Changes in assumptions	(3)	(8)
Benefit payments	(7)	(5)
Net change in total OPEB liability	7	3
Total OPEB liability - beginning	156	153
Total OPEB Liability - ending	$ 163	156
Covered employee payroll	$ 1,050	1,039
Total OPEB liability as a percentage of covered payroll	16 %	15 %

Notes to Schedule:
A) FY 2017-18 was first year of implementation
B) The County has no assets accumulated in a trust that meets the criteria identified in paragraph 4 of GASB Statement 75.

COUNTY OF SACRAMENTO
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN YEARS[A]
(amounts expressed in thousands)

Mission Oaks	2019	2018[A]
Service cost	$ 11	12
Interest on the total OPEB liability	4	3
Changes in assumptions	(1)	(6)
Benefit payments	(9)	(7)
Net change in total OPEB liability	5	2
Total OPEB liability - beginning	102	100
Total OPEB Liability - ending	$ 107	102
Covered employee payroll	$ 845	1,116
Total OPEB liability as a percentage of covered payroll	13 %	9 %

Sunrise	2019	2018[A]
Service cost	$ 28	29
Interest on the total OPEB liability	6	4
Changes in assumptions	(3)	(2)
Benefit payments	(3)	(7)
Net change in total OPEB liability	28	24
Total OPEB liability - beginning	143	119
Total OPEB Liability - ending	$ 171	143
Covered employee payroll	$ 1,580	2,278
Total OPEB liability as a percentage of covered payroll	11 %	6 %

Component Unit First 5 Commission	2019	2018[A]
Service cost	$ 13	$ 15
Interest on the total OPEB liability	7	5
Changes in assumptions	(4)	(12)
Change in proportion	(5)	
Benefit payments	(7)	(6)
Net change in total OPEB liability	4	2
Total OPEB liability - beginning	178	176
Total OPEB Liability - ending	$ 182	178
Covered employee payroll	$ 933	1,284
Total OPEB liability as a percentage of covered payroll	20 %	14 %

Notes to Schedule:
A) FY 2017-18 was first year of implementation
B) The County has no assets accumulated in a trust that meets the criteria identified in paragraph 4 of GASB Statement 75.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019
(amounts expressed in thousands)

		Special Revenue	Debt Service	Capital Projects	Total
Assets:					
Cash and investments	$	247,179	48,639	107,390	403,208
Receivables, net of allowance for uncollectibles:					
Billed		16,284		178	16,462
Interest		3,048	525	808	4,381
Intergovernmental		5,097		240	5,337
Long-term advances to other funds		240			240
Loan receivable from County Successor Agency			59,645		59,645
Loan receivable from City Successor Agency			5,695		5,695
Long-term receivables		175	21,460	643	22,278
Total assets	$	272,023	135,964	109,259	517,246
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Warrants payable	$	1,696		89	1,785
Accrued liabilities		15,324	23	966	16,313
Intergovernmental payable		5,998		3,720	9,718
Due to other funds		470			470
Unearned revenue		1,030		643	1,673
Total liabilities		24,518	23	5,418	29,959
Deferred inflows of resources:					
Unavailable revenue		3,464	65,340	6	68,810
Fund balances:					
Restricted		244,041	70,601	103,835	418,477
Total liabilities, deferred inflows of resources and fund balances	$	272,023	135,964	109,259	517,246

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Total
Revenues:				
Taxes	$ 40,986			40,986
Use of money and property	10,868	3,894	3,125	17,887
Licenses and permits	51,878			51,878
Intergovernmental	78,132	13,695	1,816	93,643
Charges for sales and services	140,889		4,613	145,502
Fines, forfeitures and penalties	138	9,425	2,473	12,036
Pledged tobacco settlement	14,555			14,555
Contributions from property owners			6,037	6,037
Miscellaneous	27,154		26,027	53,181
Total revenues	364,600	27,014	44,091	435,705
Expenditures:				
Current:				
General government	68,881			68,881
Public protection	68,683			68,683
Health and sanitation	38,364			38,364
Public ways and facilities	137,929		362	138,291
Recreation and culture	17,125			17,125
Education	978			978
Capital outlay	84		37,112	37,196
Debt service:				
Principal		111,160		111,160
Bond issuance costs		275		275
Interest and fiscal charges		93,778		93,778
Total expenditures	332,044	205,213	37,474	574,731
Excess (deficiency) of revenues over (under) expenditures	32,556	(178,199)	6,617	(139,026)
Other financing sources (uses):				
Transfers in	3,162	167,465	252	170,879
Transfers out	(29,259)	(14,323)	(403)	(43,985)
Issuance of long-term debt		20,372		20,372
Refunding debt issued		89,125		89,125
Premium on debt issued		11,659		11,659
Payment to refunded bonds escrow agent		(113,411)		(113,411)
Total other financing sources (uses)	(26,097)	160,887	(151)	134,639
Changes in fund balances	6,459	(17,312)	6,466	(4,387)
Fund balances - beginning	237,582	87,913	97,369	422,864
Fund balances - ending	$ 244,041	70,601	103,835	418,477

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

Road - Accounts for financing the construction and maintenance of Sacramento County's unincorporated area road systems through planning; environmental analysis; traffic engineering and design; operations; traffic signals, street lights, signs and markings, right-of-way acquisitions; safety related improvements; and radar/speed control.

Sacramento Regional Solid Waste Authority (SWA) - The SWA is an autonomous governmental organization or Joint Powers Authority (JPA) formed in December 1992, funded by franchise fees and governed by a Board of Directors consisting of elected officials from the County and the member cities. SWA regulates commercial solid waste collection by franchised haulers through ordinances.

County Library - Accounts for capital maintenance and related costs at Sacramento County owned Sacramento Public Library branches.

Transportation Sales Tax - Accounts for the public road improvements in the unincorporated area of the County that are funded from the Measure A Transportation Sales Tax.

Building Inspection - Accounts for building inspection and code enforcement services to the unincorporated area of the County and is subject to Proposition 218 requirements. Proposition 218 prohibits property related fees from exceeding costs of services provided and the fees from the revenues shall not be used for any purpose other than that for which the fee was imposed.

Fixed Asset Revolving - Provides funding for payment of fixed asset debt service in accordance with the requirements of the financing documents.

Lighting and Landscape Maintenance Districts - As a blended component unit of the County, provides funding to plan, design, construct and maintain street and highway safety lighting facilities along streets and intersections in the unincorporated area of the County and provides funding for the maintenance of approximately 2 million square feet of landscaped corridors, medians and open spaces that exist throughout the County and is financed by service charges through direct levy subject to Proposition 218 requirements.

Park Districts and Park Service Areas - As a blended component unit of the County, accounts for the operation of three Board of Supervisors-governed park districts, and for administrative and program assistance provided by the Department of Parks and Recreation to County Service Area Four.

Water Agencies - As a blended component unit of the County, consists of various zones created to provide specialized services within specific geographic areas and is subject to Proposition 218 requirements.

Stormwater Utility Program - Accounts for revenues and expenditures relating to collection and discharge of stormwater runoff in the region subject to Proposition 218 requirements. Proposition 218 prohibits property-related fees from exceeding cost of service provided and revenues from the fee shall not be used for any purpose other than that for which the fee was imposed.

Inmate Welfare - Accounts for revenues and expenditures used for the benefit, education, and welfare of inmates.

Economic Development - Oversees and is responsible for economic development matters within the County including the operation of the County's Business Environmental Resource Center (BERC), activities related to the redevelopment of the former McClellan and Mather air force bases, and marketing efforts of the County. The department also engages in more general economic development and job creation programs.

SPECIAL REVENUE FUNDS

Roadways - Provides financing for public road improvements within several geographical districts in response to land use decisions, population growth and anticipated future development. Development fees provide the funding for the improvements and are charged when commercial and residential building permits are approved.

Tobacco Securitization Authority of Northern California - As a blended component unit of the County, accounts for revenues and expenditures associated with the Authority, including activities such as the collection of tobacco settlement revenues, administration of bond debt and proceeds, and the transferring of funds to the Tobacco Litigation Settlement debt service fund necessary to make required debt service payments.

Environmental Management - Accounts for revenues and expenditures for public health and environmental regulatory services of water, food, and hazardous materials funded through permits, license, registration, fees and penalties.

Other - Accounts for miscellaneous Special Revenue Funds of the County.

Fish and Game Propagation - Used to account for fines and forfeitures received under Section 13003 of the State of California Fish and Game Code and for other revenues and expenditures for the propagation and conservation of fish and game. The Recreation and Park Commission makes annual recommendations to the Board of Supervisors regarding expenditures within this fund.

In Home Support Services Authority - Established via Sacramento County Code 2.97 in accord with the state mandate established in WIC 12301.6 which requires assistance to recipients in finding in-home supportive services personnel through the establishment of a registry, investigation of potential personnel, establishes a referral system, provides training for providers and recipients and performs any other functions related to the delivery of in-home supportive services, funded by State Realignment and Federal reimbursements.

Mather Landscape Maintenance Community Facilities District (CFD) - Provides landscape maintenance services for public landscape corridors within the district, funded by direct levy service charges.

Mather Public Facilities Financing Plan (PFFP) - Used to provide portions of the major public infrastructure roadway facilities for the Mather area, funded by development impact fees.

Gold River Station #7 Landscape Community Facilities District (CFD) - Provides landscape maintenance services for public landscape corridors within the district, funded by direct levy service charges.

Natomas Fire District - Funds the provision of fire protection services in the Natomas area from property taxes.

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019
(amounts expressed in thousands)

	Road	Sacramento Regional Solid Waste Authority	County Library	Transportation Sales Tax	Building Inspection	Fixed Asset Revolving
Assets:						
Cash and investments	$ 33,083	4,987	144	6,067	21,026	
Receivables, net of allowance for uncollectibles:						
Billed	7,941			2,874	775	
Interest	300	57		85	255	
Intergovernmental	2,230			126		
Long-term advances to other funds						
Long-term receivables						
Total assets	$ 43,554	5,044	144	9,152	22,056	
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Warrants payable	$ 351			10	115	
Accrued liabilities	6,294	463		1,204	709	
Intergovernmental payable		308		1,092	629	
Due to other funds						
Unearned revenue	300	555				
Total liabilities	6,945	1,326		2,306	1,453	
Deferred inflows of resources:						
Unavailable revenue	2,206			252		
Fund balances:						
Restricted	34,403	3,718	144	6,594	20,603	
Total liabilities, deferred inflows of resources, and fund balances	$ 43,554	5,044	144	9,152	22,056	

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019
(amounts expressed in thousands)

	Lighting and Landscape Maintenance Districts	Park Districts and Park Service Areas	Water Agencies	Stormwater Utility Program	Inmate Welfare
Assets:					
Cash and investments	$ 3,455	9,498	49,521	22,197	9,788
Receivables, net of allowance for uncollectibles:					
Billed	30	521	62	2,252	
Interest	41	80	621	233	129
Intergovernmental		257	34		
Long-term advances to other funds					
Long-term receivables			16		
Total assets	$ 3,526	10,356	50,254	24,682	9,917
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Warrants payable	$ 5	176		496	479
Accrued liabilities	37	633	396	162	169
Intergovernmental payable		1,487	12	63	1,623
Due to other funds					
Unearned revenue			16		
Total liabilities	42	2,296	424	721	2,271
Deferred inflows of resources:					
Unavailable revenue		257			
Fund balances:					
Restricted	3,484	7,803	49,830	23,961	7,646
Total liabilities, deferred inflows of resources, and fund balances	$ 3,526	10,356	50,254	24,682	9,917

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019
(amounts expressed in thousands)

	Economic Development	Roadways	Tobacco Securitization Authority of Northern California	Environmental Management	Other	Total
Assets:						
Cash and investments	$ 57,983	10,921	514	12,855	5,140	247,179
Receivables, net of allowance for uncollectibles:						
Billed	626			132	1,071	16,284
Interest	903	159		131	54	3,048
Intergovernmental				2,450		5,097
Long-term advances to other funds	240					240
Long-term receivables		159				175
Total assets	$ 59,752	11,239	514	15,568	6,265	272,023
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Warrants payable	$ 2	21		39	2	1,696
Accrued liabilities	1,403		11	956	2,887	15,324
Intergovernmental payable	656			18	110	5,998
Due to other funds					470	470
Unearned revenue		159				1,030
Total liabilities	2,061	180	11	1,013	3,469	24,518
Deferred inflows of resources:						
Unavailable revenue				749		3,464
Fund balances:						
Restricted	57,691	11,059	503	13,806	2,796	244,041
Total liabilities, deferred inflows of resources, and fund balances	$ 59,752	11,239	514	15,568	6,265	272,023

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Road	Sacramento Regional Solid Waste Authority	County Library	Transportation Sales Tax	Building Inspection	Fixed Asset Revolving
Revenues:						
Taxes	$ 719			20,586		
Use of money and property	962	135	1	218	413	
Licenses and permits	1,391	6,179			16,740	
Intergovernmental	64,219			4,036	46	
Charges for sales and services	53,022				41,786	8,695
Fines, forfeitures and penalties	4	20			99	
Pledged tobacco settlement						
Miscellaneous	1,639		1,041	871	314	
Total revenues	121,956	6,334	1,042	25,711	59,398	8,695
Expenditures:						
Current:						
General government						
Public protection					57,144	
Health and sanitation		4,795				
Public ways and facilities	106,968			26,557		
Recreation and culture						
Education			978			
Capital outlay						84
Total expenditures	106,968	4,795	978	26,557	57,144	84
Excess (deficiency) of revenues over (under) expenditures	14,988	1,539	64	(846)	2,254	8,611
Other financing sources (uses):						
Transfers in	2,473					
Transfers out	(2,087)				(1,948)	(8,611)
Total other financing sources (uses)	386				(1,948)	(8,611)
Changes in fund balances	15,374	1,539	64	(846)	306	
Fund balances - beginning	19,029	2,179	80	7,440	20,297	
Fund balances - ending	$ 34,403	3,718	144	6,594	20,603	

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Lighting and Landscape Maintenance Districts	Park Districts and Park Service Areas	Water Agencies	Stormwater Utility Program	Inmate Welfare
Revenues:					
Taxes	$ 505	9,931		6,479	$
Use of money and property	115	2,241	1,548	583	1,291
Licenses and permits			5,907		
Intergovernmental	6	442	691	510	
Charges for sales and services	2,601	5,004	4,340	22,763	
Fines, forfeitures and penalties				1	
Pledged tobacco settlement					
Miscellaneous	443	1,401	586	149	13,057
Total revenues	3,670	19,019	13,072	30,485	14,348
Expenditures:					
Current:					
General government	3,686			29,638	
Public protection					6,702
Health and sanitation			12,214		
Public ways and facilities					
Recreation and culture		17,111			
Education					
Capital outlay					
Total expenditures	3,686	17,111	12,214	29,638	6,702
Excess (deficiency) of revenues over (under) expenditures	(16)	1,908	858	847	7,646
Other financing sources (uses):					
Transfers in			211	145	
Transfers out				(1,067)	
Total other financing sources (uses)			211	(922)	
Changes in fund balances	(16)	1,908	1,069	(75)	7,646
Fund balances - beginning	3,500	5,895	48,761	24,036	
Fund balances - ending	$ 3,484	7,803	49,830	23,961	$ 7,646

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Economic Development	Roadways	Tobacco Securitization Authority of Northern California	Environmental Management	Other	Total
Revenues:						
Taxes	$				2,766	40,986
Use of money and property	2,322	362	11	549	117	10,868
Licenses and permits	58	4,969		14,943	1,691	51,878
Intergovernmental	4,584	80		2,421	1,097	78,132
Charges for sales and services	1,432			863	383	140,889
Fines, forfeitures and penalties					14	138
Pledged tobacco settlement			14,555			14,555
Miscellaneous	4,519	348		2,451	335	27,154
Total revenues	12,915	5,759	14,566	21,227	6,403	364,600
Expenditures:						
Current:						
General government	35,381				176	68,881
Public protection					4,837	68,683
Health and sanitation			170	20,114	1,071	38,364
Public ways and facilities		4,386			18	137,929
Recreation and culture					14	17,125
Education						978
Capital outlay						84
Total expenditures	35,381	4,386	170	20,114	6,116	332,044
Excess (deficiency) of revenues over (under) expenditures	(22,466)	1,373	14,396	1,113	287	32,556
Other financing sources (uses):						
Transfers in	333					3,162
Transfers out	(156)		(14,383)	(1,007)		(29,259)
Total other financing sources (uses)	177		(14,383)	(1,007)		(26,097)
Changes in fund balances	(22,289)	1,373	13	106	287	6,459
Fund balances - beginning	79,980	9,686	490	13,700	2,509	237,582
Fund balances - ending	$ 57,691	11,059	503	13,806	2,796	244,041

COUNTY OF SACRAMENTO
ROAD SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 813	846	719	(127)
Use of money and property	437	437	962	525
Licenses and permits	1,637	1,637	1,391	(246)
Intergovernmental	81,028	77,712	64,219	(13,493)
Charges for sales and services	54,771	54,771	53,022	(1,749)
Fines, forfeitures and penalties	2	2	4	2
Miscellaneous	1,565	2,144	1,639	(505)
Total revenues	140,253	137,549	121,956	(15,593)
Expenditures:				
Current:				
Public ways and facilities	138,665	136,290	106,968	29,322
Excess of revenues over expenditures	1,588	1,259	14,988	13,729
Other financing sources (uses):				
Transfers in	2,473	2,473	2,473	
Transfers out	(2,087)	(2,087)	(2,087)	
Total other financing sources (uses)	386	386	386	
Changes in fund balance	1,974	1,645	15,374	13,729
Fund balance - beginning	19,029	19,029	19,029	
Fund balance - ending	$ 21,003	20,674	34,403	13,729

COUNTY OF SACRAMENTO
SACRAMENTO REGIONAL SOLID WASTE AUTHORITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 10	10	135	125
Licenses and permits	5,700	5,700	6,179	479
Fines, forfeitures and penalties	15	15	20	5
Total revenues	5,725	5,725	6,334	609
Expenditures:				
Current:				
Health and sanitation	5,725	6,288	4,795	1,493
Changes in fund balance		(563)	1,539	2,102
Fund balance - beginning	2,179	2,179	2,179	
Fund balance - ending	$ 2,179	1,616	3,718	2,102

COUNTY OF SACRAMENTO
COUNTY LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 1	1	1	
Miscellaneous	1,041	1,041	1,041	
Total revenues	1,042	1,042	1,042	
Expenditures:				
Current:				
Education	1,042	1,122	978	144
Changes in fund balance		(80)	64	144
Fund balance - beginning	80	80	80	
Fund balance - ending	$ 80		144	144

COUNTY OF SACRAMENTO
TRANSPORTATION SALES TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 22,292	24,831	20,586	(4,245)
Use of money and property	49	49	218	169
Intergovernmental	5,279	6,523	4,036	(2,487)
Miscellaneous	278	411	871	460
Total revenues	27,898	31,814	25,711	(6,103)
Expenditures:				
Current:				
Public ways and facilities	30,080	34,186	26,557	7,629
Changes in fund balance	(2,182)	(2,372)	(846)	1,526
Fund balance - beginning	7,440	7,440	7,440	
Fund balance - ending	$ 5,258	5,068	6,594	1,526

COUNTY OF SACRAMENTO
BUILDING INSPECTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 33	33	413	380
Licenses and permits	17,430	17,430	16,740	(690)
Intergovernmental	11	11	46	35
Charges for sales and services	44,906	43,850	41,786	(2,064)
Fines, forfeitures and penalties	63	56	99	43
Miscellaneous	288	288	314	26
Total revenues	62,731	61,668	59,398	(2,270)
Expenditures:				
Current:				
Protection and inspection	66,701	68,093	57,144	10,949
Excess (deficiency) of revenues over (under) expenditures	(3,970)	(6,425)	2,254	8,679
Other financing uses:				
Transfers out	(1,948)	(1,948)	(1,948)	
Changes in fund balance	(5,918)	(8,373)	306	8,679
Fund balance - beginning	20,297	20,297	20,297	
Fund balance - ending	$ 14,379	11,924	20,603	8,679

COUNTY OF SACRAMENTO
FIXED ASSET REVOLVING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Charges for sales and services	$ 44,208	13,695	8,695	(5,000)
Expenditures:				
Capital outlay	5,537	5,084	84	5,000
Excess of revenues over expenditures	38,671	8,611	8,611	
Other financing uses:				
Transfers out	(8,611)	(8,611)	(8,611)	
Changes in fund balance	30,060			
Fund balance - beginning				
Fund balance - ending	$ 30,060			

COUNTY OF SACRAMENTO
LIGHTING AND LANDSCAPE MAINTENANCE DISTRICTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 403	403	505	102
Use of money and property	26	26	115	89
Intergovernmental	5	5	6	1
Charges for sales and services	2,600	2,600	2,601	1
Miscellaneous	452	452	443	(9)
Total revenues	3,486	3,486	3,670	184
Expenditures:				
Current:				
General government	3,905	4,297	3,686	611
Changes in fund balance	(419)	(811)	(16)	795
Fund balance - beginning	3,500	3,500	3,500	
Fund balance - ending	$ 3,081	2,689	3,484	795

COUNTY OF SACRAMENTO
PARK DISTRICTS AND PARK SERVICE AREAS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 9,441	9,606	9,931	325
Use of money and property	1,954	1,963	2,241	278
Intergovernmental	838	1,536	442	(1,094)
Charges for sales and services	5,747	5,774	5,004	(770)
Miscellaneous	1,369	1,729	1,401	(328)
Total revenues	19,349	20,608	19,019	(1,589)
Expenditures:				
Current:				
Recreation and culture	23,490	25,072	17,111	7,961
Changes in fund balance	(4,141)	(4,464)	1,908	6,372
Fund balance - beginning	5,895	5,895	5,895	
Fund balance - ending	$ 1,754	1,431	7,803	6,372

COUNTY OF SACRAMENTO
WATER AGENCIES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 463	463	1,548	1,085
Licenses and permits	1,630	1,630	5,907	4,277
Intergovernmental	2,405	3,405	691	(2,714)
Charges for sales and services	7,904	7,904	4,340	(3,564)
Miscellaneous	137	367	586	219
Total revenues	12,539	13,769	13,072	(697)
Expenditures:				
Current:				
Health and sanitation	26,274	27,790	12,214	15,576
Excess (deficiency) of revenues over (under) expenditures	(13,735)	(14,021)	858	14,879
Other financing sources:				
Transfers in	211	211	211	
Changes in fund balance	(13,524)	(13,810)	1,069	14,879
Fund balance - beginning	48,761	48,761	48,761	
Fund balance - ending	$ 35,237	34,951	49,830	14,879

COUNTY OF SACRAMENTO
STORMWATER UTILITY PROGRAM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 5,752	5,752	6,479	727
Use of money and property	110	110	583	473
Intergovernmental	1,088	1,088	510	(578)
Charges for sales and services	23,933	23,933	22,763	(1,170)
Fines, forfeitures and penalties			1	1
Miscellaneous	30	30	149	119
Total revenues	30,913	30,913	30,485	(428)
Expenditures:				
Current:				
General government	37,200	37,303	29,638	7,665
Excess (deficiency) of revenues over (under) expenditures	(6,287)	(6,390)	847	7,237
Other financing sources (uses):				
Transfers in	145	145	145	
Transfers out	(1,067)	(1,067)	(1,067)	
Total other financing sources (uses)	(922)	(922)	(922)	
Changes in fund balance	(7,209)	(7,312)	(75)	7,237
Fund balance - beginning	24,036	24,036	24,036	
Fund balance - ending	$ 16,827	16,724	23,961	7,237

COUNTY OF SACRAMENTO
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 816	936	2,322	1,386
Licenses and permits	50	98	58	(40)
Intergovernmental	8,143	29,905	4,584	(25,321)
Charges for sales and services	1,265	1,265	1,432	167
Miscellaneous	8,135	8,577	4,519	(4,058)
Total revenues	18,409	40,781	12,915	(27,866)
Expenditures:				
Current:				
General government	24,399	50,645	35,381	15,264
Excess (deficiency) of revenues over (under) expenditures	(5,990)	(9,864)	(22,466)	12,602
Other financing sources (uses):				
Transfers in	333	333	333	
Transfers out	(156)	(156)	(156)	
Total other financing sources (uses)	177	177	177	
Changes in fund balance	(5,813)	(9,687)	(22,289)	(12,602)
Fund balance - beginning	79,980	79,980	79,980	
Fund balance - ending	$ 74,167	70,293	57,691	(12,602)

COUNTY OF SACRAMENTO
ROADWAYS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 100	100	362	262
Licenses and permits	6,893	6,893	4,969	(1,924)
Intergovernmental		80	80	
Miscellaneous	195	257	348	91
Total revenues	7,188	7,330	5,759	(1,571)
Expenditures:				
Current:				
Public ways and facilities	3,536	5,338	4,386	952
Changes in fund balance	3,652	1,992	1,373	(619)
Fund balance - beginning	9,686	9,686	9,686	
Fund balance - ending	$ 13,338	11,678	11,059	(619)

COUNTY OF SACRAMENTO
ENVIRONMENTAL MANAGEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		549	549
Licenses and permits	16,198	16,198	14,943	(1,255)
Intergovernmental	2,465	2,465	2,421	(44)
Charges for sales and services	870	870	863	(7)
Miscellaneous	615	615	2,451	1,836
Total revenues	20,148	20,148	21,227	1,079
Expenditures:				
Current:				
Health and sanitation	20,867	21,281	20,114	1,167
Excess (deficiency) of revenues over (under) expenditures	(719)	(1,133)	1,113	2,246
Other financing uses:				
Transfers out	(1,007)	(1,007)	(1,007)	
Changes in fund balance	(1,726)	(2,140)	106	2,246
Fund balance - beginning	13,700	13,700	13,700	
Fund balance - ending	$ 11,974	11,560	13,806	2,246

COUNTY OF SACRAMENTO
OTHER SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 2,389	2,389	2,766	377
Use of money and property	11	11	117	106
Licenses and permits	1,400	2,958	1,691	(1,267)
Intergovernmental	1,320	1,320	1,097	(223)
Charges for sales and services	338	391	383	(8)
Fines, forfeitures and penalties	17	17	14	(3)
Miscellaneous	20	20	335	315
Total revenues	5,495	7,106	6,403	(703)
Expenditures:				
Current:				
General government	492	504	176	328
Public protection	3,818	6,098	4,837	1,261
Health and sanitation	1,292	1,292	1,071	221
Public ways and facilities	796	772	18	754
Recreation and culture	23	23	14	9
Total expenditures	6,421	8,689	6,116	2,573
Changes in fund balance	(926)	(1,583)	287	1,870
Fund balance - beginning	2,509	2,509	2,509	
Fund balance - ending	$ 1,583	926	2,796	1,870

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

DEBT SERVICE FUNDS

COUNTY OF SACRAMENTO
DEBT SERVICE FUNDS

Public Facilities Financing Corporation - Services the debt associated with the Public Facilities Financing Corporation's Juvenile Courthouse, 1997, 2003, 2006, 2007, 2010 and 2018 Public Facilities Financing funds.

Pension Obligation Bonds - Services the debt related to Pension Obligation Bonds issued to pay off the unfunded pension liability the County owed the Sacramento County Employees' Retirement System.

Teeter Plan - Services the debt associated with the County purchases of delinquent recurrent property taxes receivables under the Alternative Method of Tax Apportionment, the "Teeter Plan."

Tobacco Securitization Authority of Northern California - Established in FY 2001-02 to account for the principal and interest payments on the Authority's Tobacco Settlement Revenue Bonds and the receipt of funds from the General Fund necessary to meet annual debt service requirements.

Sacramento County Public Financing Authority - Established in FY 2003-04 to service debt associated with housing and redevelopment projects throughout Sacramento County.

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019
(amounts expressed in thousands)

	Public Facilities Financing Corporation						
	Juvenile Courthouse	1997 Public Facilities Refunding	2003 Public Facilities	2006 Public Facilities	2007 Public Facilities	2010 Public Facilities Refunding	2018 Public Facilities Refunding
Assets:							
Cash and investments	$ 2,505					12,158	1,767
Receivables:							
Interest	44					49	94
Loan receivable from County Successor Agency							
Loan receivable from City Successor Agency							
Long-term receivables							
Total assets	$ 2,549					12,207	1,861
Liabilities, deferred inflows of resources, and fund balances:							
Liabilities:							
Accrued liabilities	$						
Deferred inflows of resources:							
Unavailable revenue							
Fund balances:							
Restricted	2,549					12,207	1,861
Total liabilities, deferred inflows of resources, and fund balances	$ 2,549					12,207	1,861

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019
(amounts expressed in thousands)

	Pension Obligation Bonds	Teeter Plan	Tobacco Securitization Authority of Northern California	Sacramento County Public Financing Authority	Total
Assets:					
Cash and investments	$ 1,860	3,409	21,416	5,524	48,639
Receivables:					
Interest	333	5			525
Loan receivable from County Successor Agency				59,645	59,645
Loan receivable from City Successor Agency				5,695	5,695
Long-term receivables		21,460			21,460
Total assets	$ 2,193	24,874	21,416	70,864	135,964
Liabilities, deferred inflows of resources, and fund balances:					
Liabilities:					
Accrued liabilities	$ 23				23
Deferred inflows of resources:					
Unavailable revenue				65,340	65,340
Fund balances:					
Restricted	2,170	24,874	21,416	5,524	70,601
Total liabilities, deferred inflows of resources, and fund balances	$ 2,193	24,874	21,416	70,864	135,964

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Public Facilities Financing Corporations						
	Juvenile Courthouse	1997 Public Facilities Refunding	2003 Public Facilities	2006 Public Facilities	2007 Public Facilities	2010 Public Facilities Refunding	2018 Public Facilities Refunding
Revenues:							
Use of money and property	$ 104	336	14	34	28	305	1,825
Intergovernmental							
Fines, forfeitures and penalties							
Total revenues	104	336	14	34	28	305	1,825
Expenditures:							
Debt service:							
Principal	1,010	4,025			1,135	6,440	3,235
Bond issuance costs							275
Interest and fiscal charges	1,224	2,168	231	1,203	1,168	2,973	2,014
Total expenditures	2,234	6,193	231	1,203	2,303	9,413	5,524
Deficiency of revenues under expenditures	(2,130)	(5,857)	(217)	(1,169)	(2,275)	(9,108)	(3,699)
Other financing sources (uses):							
Transfers in	2,247	6,353	995	2,449	3,036	9,367	4,762
Transfers out		(915)	(959)	(1,971)	(917)		
Issuance of long-term debt							
Refunding debt issued							89,125
Premiums on debt issued							11,659
Payment to refunded bonds escrow agent		(7,012)	(975)	(2,361)	(3,077)		(99,986)
Total other financing sources (uses)	2,247	(1,574)	(939)	(1,883)	(958)	9,367	5,560
Changes in fund balances	117	(7,431)	(1,156)	(3,052)	(3,233)	259	1,861
Fund balances - beginning	2,432	7,431	1,156	3,052	3,233	11,948	
Fund balances - ending	$ 2,549					12,207	1,861

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Pension Obligation Bonds	Teeter Plan	Tobacco Securitization Authority of Northern California	Sacramento County Public Financing Authority	Total
Revenues:					
Use of money and property	$ 795	42	411		3,894
Intergovernmental	11,957			1,738	13,695
Fines, forfeitures and penalties		9,425			9,425
Total revenues	12,752	9,467	411	1,738	27,014
Expenditures:					
Debt service:					
Principal	69,470	20,530	3,545	1,770	111,160
Bond issuance costs					275
Interest and fiscal charges	67,556	421	11,308	3,512	93,778
Total expenditures	137,026	20,951	14,853	5,282	205,213
Deficiency of revenues under expenditures	(124,274)	(11,484)	(14,442)	(3,544)	(178,199)
Other financing sources (uses):					
Transfers in	123,873		14,383		167,465
Transfers out		(9,561)			(14,323)
Issuance of long-term debt		20,372			20,372
Refunding debt issued					89,125
Premiums on debt issued					11,659
Payment to refunded bonds escrow agent					(113,411)
Total other financing sources (uses)	123,873	10,811	14,383		160,887
Changes in fund balances	(401)	(673)	(59)	(3,544)	(17,312)
Fund balances - beginning	2,571	25,547	21,475	9,068	87,913
Fund balances - ending	$ 2,170	24,874	21,416	5,524	70,601

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
JUVENILE COURTHOUSE DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		104	104
Expenditures:				
Debt service:				
Principal	1,010	1,010	1,010	
Interest and fiscal charges	1,421	1,434	1,224	210
Total expenditures	2,431	2,444	2,234	210
Deficiency of revenues under expenditures	(2,431)	(2,444)	(2,130)	314
Other financing sources:				
Transfers in	2,247	2,247	2,247	
Changes in fund balance	(184)	(197)	117	314
Fund balance - beginning	2,432	2,432	2,432	
Fund balance - ending	$ 2,248	2,235	2,549	314

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
1997 PUBLIC FACILITIES REFUNDING DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$	471	336	(135)
Expenditures:				
Debt service:				
Principal	4,025	4,025	4,025	
Interest and fiscal charges	1,765	2,300	2,168	132
Total expenditures	5,790	6,325	6,193	132
Deficiency of revenues under expenditures	(5,790)	(5,854)	(5,857)	(3)
Other financing sources (uses):				
Transfers in	6,353	6,353	6,353	
Transfers out	(915)	(915)	(915)	
Payment to refunded bonds escrow agent		(7,012)	(7,012)	
Total other financing sources (uses):	5,438	(1,574)	(1,574)	
Changes in fund balance	(352)	(7,428)	(7,431)	(3)
Fund balance - beginning	7,431	7,431	7,431	
Fund balance - ending	$ 7,079	3		(3)

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
2003 PUBLIC FACILITIES DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$	22	14	(8)
Expenditures:				
Debt service:				
Interest and fiscal charges	238	231	231	
Deficiency of revenues under expenditures	(238)	(209)	(217)	(8)
Other financing sources (uses):				
Transfers in	995	995	995	
Transfers out	(959)	(959)	(959)	
Payment to refunded bonds escrow agent		(975)	(975)	
Total other financing sources (uses)	36	(939)	(939)	
Changes in fund balance	(202)	(1,148)	(1,156)	(8)
Fund balance - beginning	1,156	1,156	1,156	
Fund balance - ending	$ 954	8		(8)

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
2006 PUBLIC FACILITIES DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$	46	34	(12)
Expenditures:				
Debt service:				
Interest and fiscal charges	867	1,215	1,203	12
Deficiency of revenues under expenditures	(867)	(1,169)	(1,169)	
Other financing sources (uses):				
Transfers in	2,449	2,449	2,449	
Transfers out	(1,971)	(1,971)	(1,971)	
Payment to refunded bonds escrow agent		(2,361)	(2,361)	
Total other financing sources (uses)	478	(1,883)	(1,883)	
Changes in fund balance	(389)	(3,052)	(3,052)	
Fund balance - beginning	3,052	3,052	3,052	
Fund balance - ending	$ 2,663			

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
2007 PUBLIC FACILITIES DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$	55	28	(27)
Expenditures:				
Debt service:				
Principal	1,135	1,135	1,135	
Interest and fiscal charges	1,182	1,170	1,168	2
Total expenditures	2,317	2,305	2,303	2
Deficiency of revenues under expenditures	(2,317)	(2,250)	(2,275)	(25)
Other financing sources (uses):				
Transfers in	3,036	3,036	3,036	
Transfers out	(917)	(917)	(917)	
Payment to refunded bonds escrow agent		(3,077)	(3,077)	
Total other financing sources (uses)	2,119	(958)	(958)	
Changes in fund balance	(198)	(3,208)	(3,233)	(25)
Fund balance - beginning	3,233	3,233	3,233	
Fund balance - ending	$ 3,035	25		(25)

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
2010 PUBLIC FACILITIES REFUNDING DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		305	305
Expenditures:				
Debt service:				
Principal	6,440	6,440	6,440	
Interest and fiscal charges	3,379	3,487	2,973	514
Total expenditures	9,819	9,927	9,413	514
Deficiency of revenues under expenditures	(9,819)	(9,927)	(9,108)	819
Other financing sources:				
Transfers in	9,367	9,367	9,367	
Changes in fund balance	(452)	(560)	259	819
Fund balance - beginning	11,948	11,948	11,948	
Fund balance - ending	$ 11,496	11,388	12,207	819

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
2018 PUBLIC FACILITIES REFUNDING DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		1,825	1,825
Expenditures:				
Debt service:				
Principal			3,235	(3,235)
Bond issuance costs		276	275	1
Interest and fiscal charges	4,762	4,762	2,014	2,748
Total expenditures	4,762	5,038	5,524	(486)
Deficiency of revenues under expenditures	(4,762)	(5,038)	(3,699)	1,339
Other financing sources (uses):				
Transfers in	4,762	4,762	4,762	
Premiums on debt issued		11,138	11,659	521
Refunding debt issued		89,125	89,125	
Payment to refunded bonds escrow agent		(99,987)	(99,986)	1
Total other financing sources (uses)	4,762	5,038	5,560	522
Changes in fund balance			1,861	1,861
Fund balance - beginning				
Fund balance - ending	$		1,861	1,861

COUNTY OF SACRAMENTO
PENSION OBLIGATION BONDS DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$	7	795	788
Intergovernmental	11,957	11,957	11,957	
Total revenues	11,957	11,964	12,752	788
Expenditures:				
Debt service:				
Principal	69,470	69,470	69,470	
Interest and fiscal charges	67,862	68,938	67,556	1,382
Total expenditures	137,332	138,408	137,026	1,382
Deficiency of revenues under expenditures	(125,375)	(126,444)	(124,274)	2,170
Other financing sources:				
Transfers in	123,873	123,873	123,873	
Changes in fund balance	(1,502)	(2,571)	(401)	2,170
Fund balance - beginning	2,571	2,571	2,571	
Fund balance - ending	$ 1,069		2,170	2,170

COUNTY OF SACRAMENTO
TEETER PLAN DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		42	42
Fines, forfeitures and penalties			9,425	9,425
Miscellaneous	24,798	29,654		(29,654)
Total revenues	24,798	29,654	9,467	(20,187)
Expenditures:				
Debt service:				
Principal	21,277	23,615	20,530	3,085
Interest and fiscal charges	(2,140)	421	421	
Total expenditures	19,137	24,036	20,951	3,085
Excess (deficiency) of revenues over (under) expenditures	5,661	5,618	(11,484)	(17,102)
Other financing sources (uses):				
Transfers out	(9,561)	(9,561)	(9,561)	
Issuance of long-term debt			20,372	20,372
Total other financing sources (uses)	(9,561)	(9,561)	10,811	20,372
Changes in fund balance	(3,900)	(3,943)	(673)	3,270
Fund balance - beginning	25,547	25,547	25,547	
Fund balance - ending	$ 21,647	21,604	24,874	3,270

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

CAPITAL PROJECT FUNDS

CAPITAL PROJECT FUNDS

Improvement Bond Act of 1911 - Accounts for construction activity in various special assessment districts where monies have been received under the 1911 Improvement Bond Act from special assessment district property owners.

Improvement Bond Act of 1915 - Accounts for construction activity in various special assessment districts where monies have been received from special assessment district property owners under the 1915 Improvement Bond Act.

Metro Air Park Community Facilities District (CFD) No. 2000-1 - Accounts for construction activity in the Metro Air Park CFD.

Laguna Stonelake Community Facilities District (CFD) - Accounts for construction activity in the Laguna Stonelake CFD.

Park Meadows Community Facilities District (CFD) - Accounts for construction activity in the Park Meadows CFD.

Laguna Community Facilities District (CFD) - Accounts for construction activity in the Laguna CFD.

Laguna Creek Ranch/Elliott Ranch Community Facilities District (CFD) - Accounts for construction activity in the Laguna Creek Ranch/Elliott Ranch CFD.

Accumulated Capital Outlay - Accounts for general capital outlay expenditures of the County.

Community Fee Districts - Established by property owners to account for construction of public projects financed by various developer fees and other miscellaneous revenues.

Tobacco Litigation Settlement - Accounts for construction projects from the Tobacco Litigation Settlement Securitization proceeds including the Juvenile Court Facility and the Primary Care Clinic.

McClellan Park Community Facilities District (CFD) No. 2004-1 - Accounts for infrastructure construction activity in the McClellan CFD.

Sacramento County Landscape Maintenance Community Facilities District (CFD) No. 2004-2 - Accounts for landscape maintenance activity of the Sacramento County Landscape Maintenance CFD.

Metro Air Park Services Tax - Accounts for landscape maintenance activity within the Metro Air Park Community Facilities District.

CAPITAL PROJECT FUNDS

Florin Vineyard Community Facilities District (CFD) No. 1 - Accounts for public road improvements in the Florin Vineyard area of the County that are funded by development impact fees.

North Vineyard Station Community Facilities District (CFD) - Accounts for public road improvements in the North Vineyard area of the County that are funded by development impact fees.

County Parks Community Facilities District (CFD) No. 2006-1 - Accounts for construction and maintenance of parks, trails, and open space in the Southeast County area.

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019
(amounts expressed in thousands)

	Assessment Districts		Mello-Roos Community Facilities Act of 1982				
	Improvement Bond Act of 1911	Improvement Bond Act of 1915	Metro Air Park CFD No. 2000-1	Laguna Stonelake CFD	Park Meadows CFD	Laguna CFD	Laguna Creek Ranch/Elliott Ranch CFD
Assets:							
Cash and investments	$ 253	3,288	12,614	177	66	356	6,785
Receivables, net of allowance for uncollectibles:							
Billed							
Interest	3	40	4	3	2	4	4
Intergovernmental							
Long-term receivables							
Total assets	$ 256	3,328	12,618	180	68	360	6,789
Liabilities, deferred inflows of resources, and fund balances:							
Liabilities:							
Warrants payable	$						
Accrued liabilities			1				
Intergovernmental payable	62	17	11		1	1	9
Unearned revenue							
Total liabilities	62	17	12		1	1	9
Deferred inflows of resources:							
Unavailable revenue							
Fund balances:							
Restricted	194	3,311	12,606	180	67	359	6,780
Total liabilities, deferred inflows of resources, and fund balances	$ 256	3,328	12,618	180	68	360	6,789

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019
(amounts expressed in thousands)

	Public Facilities Financing			
	Accumulated Capital Outlay	Community Fee Districts	Tobacco Litigation Settlement	McClellan Park CFD No. 2004-1
Assets:				
Cash and investments	$ 23,964	23,858	746	472
Receivables, net of allowance for uncollectibles:				
Billed	171	6		
Interest	290	259		7
Intergovernmental	204	36		
Long-term receivables		643		
Total assets	$ 24,629	24,802	746	479
Liabilities, deferred inflows of resources, and fund balances:				
Liabilities:				
Warrants payable	$ 86	3		
Accrued liabilities	961			
Intergovernmental payable		3,344		
Unearned revenue		643		
Total liabilities	1,047	3,990		
Deferred inflows of resources:				
Unavailable revenue		6		
Fund balances:				
Restricted	23,582	20,806	746	479
Total liabilities, deferred inflows of resources, and fund balances	$ 24,629	24,802	746	479

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019
(amounts expressed in thousands)

	Public Facilities Financing					
	Sacramento County Landscape Maintenance CFD No. 2004-2	Metro Air Park Services Tax	Florin Vineyard CFD No. 1	North Vineyard Station CFD	County Parks CFD No. 2006-1	Total
Assets:						
Cash and investments	$ 570	6,645	6,153	21,381	62	107,390
Receivables, net of allowance for uncollectibles:						
Billed	1					178
Interest	7	80	6	98	1	808
Intergovernmental						240
Long-term receivables						643
Total assets	$ 578	6,725	6,159	21,479	63	109,259
Liabilities, deferred inflows of resources, and fund balances:						
Liabilities:						
Warrants payable	$					89
Accrued liabilities				4		966
Intergovernmental payable		263	1		11	3,720
Unearned revenue						643
Total liabilities		263	1	4	11	5,418
Deferred inflows of resources:						
Unavailable revenue						6
Fund balances:						
Restricted	578	6,462	6,158	21,475	52	103,835
Total liabilities, deferred inflows of resources, and fund balances	$ 578	6,725	6,159	21,479	63	109,259

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Assessment Districts		Mello-Roos Community Facilities Act of 1982				
	Improvement Bond Act of 1911	Improvement Bond Act of 1915	Metro Air Park CFD No. 2000-1	Laguna Stonelake CFD	Park Meadows CFD	Laguna CFD	Laguna Creek Ranch/Elliott Ranch CFD
Revenues:							
Use of money and property	$ 6	104	294	6	3	11	152
Intergovernmental							
Charges for sales and services							
Fines, forfeitures and penalties							
Contributions from property owners							
Miscellaneous			682	134	68		469
Total revenues	6	104	976	140	71	11	621
Expenditures:							
Current:							
Public ways and facilities						17	345
Capital outlay			1,394	139	69		
Total expenditures			1,394	139	69	17	345
Excess (deficiency) of revenues over (under) expenditures	6	104	(418)	1	2	(6)	276
Other financing sources (uses):							
Transfers in							
Transfers out							
Total other financing sources (uses)							
Changes in fund balances	6	104	(418)	1	2	(6)	276
Fund balances - beginning	188	3,207	13,024	179	65	365	6,504
Fund balances - ending	$ 194	3,311	12,606	180	67	359	6,780

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Public Facilities Financing			
	Accumulated Capital Outlay	Community Fee Districts	Tobacco Litigation Settlement	McClellan Park CFD No. 2004-1
Revenues:				
Use of money and property	$ 752	615	17	17
Intergovernmental	1,449	367		
Charges for sales and services		4,419		
Fines, forfeitures and penalties	2,473			
Contributions from property owners				
Miscellaneous	23,890			203
Total revenues	28,564	5,401	17	220
Expenditures:				
Current:				
Public ways and facilities				
Capital outlay	22,235	3,452		171
Total expenditures	22,235	3,452		171
Excess (deficiency) of revenues over (under) expenditures	6,329	1,949	17	49
Other financing sources (uses):				
Transfers in	252			
Transfers out	(353)			
Total other financing sources (uses)	(101)			
Changes in fund balances	6,228	1,949	17	49
Fund balances - beginning	17,354	18,857	729	430
Fund balances - ending	$ 23,582	20,806	746	479

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Public Facilities Financing					
	Sacramento County Landscape Maintenance CFD No. 2004-2	Metro Air Park Services Tax	Florin Vineyard CFD No. 1	North Vineyard Station CFD	County Parks CFD No. 2006-1	Total
Revenues:						
Use of money and property	$ 20	73	112	941	2	3,125
Intergovernmental						1,816
Charges for sales and services	80	94			20	4,613
Fines, forfeitures and penalties						2,473
Contributions from property owners			6,037			6,037
Miscellaneous			65	516		26,027
Total revenues	100	167	6,214	1,457	22	44,091
Expenditures:						
Current:						
Public ways and facilities						362
Capital outlay	169	26	191	9,266		37,112
Total expenditures	169	26	191	9,266		37,474
Excess (deficiency) of revenues over (under) expenditures	(69)	141	6,023	(7,809)	22	6,617
Other financing sources (uses):						
Transfers in						252
Transfers out		(50)				(403)
Total other financing sources (uses)		(50)				(151)
Changes in fund balances	(69)	91	6,023	(7,809)	22	6,466
Fund balances - beginning	647	6,371	135	29,284	30	97,369
Fund balances - ending	$ 578	6,462	6,158	21,475	52	103,835

COUNTY OF SACRAMENTO
ASSESSMENT DISTRICTS - IMPROVEMENT
BOND ACT OF 1911 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		6	6
Miscellaneous	286	286		(286)
Total revenues	286	286	6	(280)
Expenditures:				
Capital outlay	286	287		287
Changes in fund balance		(1)	6	7
Fund balance - beginning	188	188	188	
Fund balance - ending	$ 188	187	194	7

COUNTY OF SACRAMENTO
ASSESSMENT DISTRICTS - IMPROVEMENT
BOND ACT OF 1915 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 47	51	104	53
Miscellaneous	2,798	2,765		(2,765)
Total revenues	2,845	2,816	104	(2,712)
Expenditures:				
Capital outlay	3,297	3,274		3,274
Changes in fund balance	(452)	(458)	104	562
Fund balance - beginning	3,207	3,207	3,207	
Fund balance - ending	$ 2,755	2,749	3,311	562

COUNTY OF SACRAMENTO
MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982
METRO AIR PARK CFD NUMBER 2000-1 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 98	180	294	114
Miscellaneous	17,098	17,098	682	(16,416)
Total revenues	17,196	17,278	976	(16,302)
Expenditures:				
Capital outlay	29,234	30,290	1,394	28,896
Changes in fund balance	(12,038)	(13,012)	(418)	12,594
Fund balance - beginning	13,024	13,024	13,024	
Fund balance - ending	$ 986	12	12,606	12,594

COUNTY OF SACRAMENTO
MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982
LAGUNA STONELAKE CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 3	3	6	3
Miscellaneous	133	133	134	1
Total revenues	136	136	140	4
Expenditures:				
Capital outlay	312	313	139	174
Changes in fund balance	(176)	(177)	1	178
Fund balance - beginning	179	179	179	
Fund balance - ending	$ 3	2	180	178

COUNTY OF SACRAMENTO
MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982
PARK MEADOWS CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 2	2	3	1
Miscellaneous	69	69	68	(1)
Total revenues	71	71	71	
Expenditures:				
Capital outlay	136	135	69	66
Changes in fund balance	(65)	(64)	2	66
Fund balance - beginning	65	65	65	
Fund balance - ending	$	1	67	66

COUNTY OF SACRAMENTO
MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982
LAGUNA CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 3	5	11	6
Expenditures:				
Current:				
Public ways and facilities	356	370	17	353
Changes in fund balance	(353)	(365)	(6)	359
Fund balance - beginning	365	365	365	
Fund balance - ending	$ 12		359	359

COUNTY OF SACRAMENTO
MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982
LAGUNA CREEK RANCH/ELLIOTT RANCH CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 55	75	152	77
Miscellaneous	449	449	469	20
Total revenues	504	524	621	97
Expenditures:				
Current:				
Public ways and facilities	3,447	3,787	345	3,442
Changes in fund balance	(2,943)	(3,263)	276	3,539
Fund balance - beginning	6,504	6,504	6,504	
Fund balance - ending	$ 3,561	3,241	6,780	3,539

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING
ACCUMULATED CAPITAL OUTLAY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 30	30	752	722
Intergovernmental	671	671	1,449	778
Charges for sales and services				
Fines, forfeitures and penalties	2,800	2,800	2,473	(327)
Miscellaneous	69,862	52,982	23,890	(29,092)
Total revenues	73,363	56,483	28,564	(27,919)
Expenditures:				
Capital outlay	81,611	73,349	22,235	51,114
Excess (deficiency) of revenues over (under) expenditures	(8,248)	(16,866)	6,329	23,195
Other financing sources (uses):				
Transfers in	252	252	252	
Transfers out	(353)	(353)	(353)	
Total other financing sources (uses)	(101)	(101)	(101)	
Changes in fund balance	(8,349)	(16,967)	6,228	23,195
Fund balance - beginning	17,354	17,354	17,354	
Fund balance - ending	$ 9,005	387	23,582	23,195

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING
COMMUNITY FEE DISTRICTS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 119	156	615	459
Intergovernmental	1,729	1,729	367	(1,362)
Charges for sales and services	2,583	2,585	4,419	1,834
Miscellaneous	1,018	2,780		(2,780)
Total revenues	5,449	7,250	5,401	(1,849)
Expenditures:				
Capital outlay	21,581	23,811	3,452	20,359
Changes in fund balance	(16,132)	(16,561)	1,949	18,510
Fund balance - beginning	18,857	18,857	18,857	
Fund balance - ending	$ 2,725	2,296	20,806	18,510

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING
TOBACCO LITIGATION SETTLEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$		17	17
Expenditures:				
Capital outlay	681	726		726
Changes in fund balance	(681)	(726)	17	(743)
Fund balance - beginning	729	729	729	
Fund balance - ending	$ 48	3	746	743

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING
MCCLELLAN PARK CFD NUMBER 2004-1 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 6	11	17	6
Miscellaneous	339	339	203	(136)
Total revenues	345	350	220	(130)
Expenditures:				
Capital outlay	754	774	171	603
Changes in fund balance	(409)	(424)	49	473
Fund balance - beginning	430	430	430	
Fund balance - ending	$ 21	6	479	473

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING
SACRAMENTO COUNTY LANDSCAPE MAINTENANCE CFD NUMBER 2004-2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 6	6	20	14
Charges for sales and services	105	80	80	
Total revenues	111	86	100	14
Expenditures:				
Capital outlay	196	207	169	38
Changes in fund balance	(85)	(121)	(69)	52
Fund balance - beginning	647	647	647	
Fund balance - ending	$ 562	526	578	52

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING
METRO AIR PARK SERVICES TAX CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 50	73	73	
Charges for sales and services	110	77	94	17
Miscellaneous	130	130		(130)
Total revenues	290	280	167	(113)
Expenditures:				
Capital outlay	6,604	6,601	26	6,575
Excess (deficiency) of revenues over (under) expenditures	(6,314)	(6,321)	141	6,462
Other financing uses:				
Transfers out	(50)	(50)	(50)	
Changes in fund balance	(6,364)	(6,371)	91	6,462
Fund balance - beginning	6,371	6,371	6,371	
Fund balance - ending	$ 7		6,462	6,462

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING
FLORIN VINEYARD NUMBER 1 CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		112	112
Charges for sales and services	75	75		(75)
Contributions from property owners	8,200	8,200	6,037	(2,163)
Miscellaneous			65	65
Total revenues	8,275	8,275	6,214	(2,061)
Expenditures:				
Capital outlay	8,386	8,410	191	8,219
Changes in fund balance	(111)	(135)	6,023	6,158
Fund balance - beginning	135	135	135	
Fund balance - ending	$ 24		6,158	6,158

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING
NORTH VINEYARD STATION CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 134	154	941	787
Miscellaneous	360	540	516	(24)
Total revenues	494	694	1,457	763
Expenditures:				
Capital outlay	20,403	26,582	9,266	17,316
Changes in fund balance	(19,909)	(25,888)	(7,809)	18,079
Fund balance - beginning	29,284	29,284	29,284	
Fund balance - ending	$ 9,375	3,396	21,475	18,079

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING
COUNTY PARKS CFD NUMBER 2006-1 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$		2	2
Charges for services	13	13	20	7
Total Revenues	13	13	22	9
Changes in fund balance	13	13	22	9
Fund balance - beginning	30	30	30	
Fund balance - ending	$ 43	43	52	9

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR ENTERPRISE FUNDS SECTION

NONMAJOR ENTERPRISE FUNDS

Parking Enterprise - Accounts for all downtown parking facilities that generate revenues from user fees from both the public and County employees.

County Transit - Accounts for the operations of the South County Transit program.

COUNTY OF SACRAMENTO
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
Assets:			
Current assets:			
Cash and investments	$ 6,701	1,353	8,054
Receivables, net of allowance for uncollectibles:			
Billed		56	56
Interest	77	11	88
Intergovernmental		774	774
Total current assets	6,778	2,194	8,972
Noncurrent assets:			
Capital assets:			
Land and other nondepreciable assets	1,834		1,834
Buildings & improvements, infrastructure, equipment and intangibles, net	362	1,121	1,483
Total capital assets	2,196	1,121	3,317
Total assets	8,974	3,315	12,289
Deferred outflows of resources:			
Deferred outflows related to pensions	126		126
Deferred outflows related to OPEB	4		4
Total deferred outflows of resources	130		130
Total assets and deferred outflows of resources	9,104	3,315	12,419

COUNTY OF SACRAMENTO
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
Liabilities:			
Current liabilities:			
Warrants payable	$ 17	279	296
Accrued liabilities	511		511
Intergovernmental payable	13	9	22
Total current liabilities	541	288	829
Noncurrent liabilities:			
Long-term debt obligations	38		38
Net pension liability	321		321
Total OPEB liabilty	91		91
Total noncurrent liabilities	450		450
Total liabilities	991	288	1,279
Deferred inflows of resources:			
Deferred inflows related to pensions	74		74
Deferred inflows related to OPEB	8		8
Total deferred inflows of resources	82		82
Total liabilities and deferred inflows of resources	1,073	288	1,361
Net position:			
Net investment in capital assets	2,196	1,121	3,317
Restricted for:			
Capital projects		861	861
Transportation		1,045	1,045
Unrestricted	5,835		5,835
Total net position	$ 8,031	3,027	11,058

COUNTY OF SACRAMENTO
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
Operating revenues:			
Charges for sales and services	$ 2,829	253	3,082
Other	199		199
Total operating revenues	3,028	253	3,281
Operating expenses:			
Salaries and benefits	378		378
Services and supplies	1,464	276	1,740
Cost of sales and services		1,787	1,787
Depreciation and amortization	225	362	587
Other	57		57
Total operating expenses	2,124	2,425	4,549
Operating income (loss)	904	(2,172)	(1,268)
Nonoperating revenues:			
Use of money and property	192	22	214
Intergovernmental		1,588	1,588
Other revenues		28	28
Total nonoperating revenues	192	1,638	1,830
Income (loss) before transfers and contributions	1,096	(534)	562
Transfers out	(32)		(32)
Capital contributions		1,082	1,082
Changes in net position	1,064	548	1,612
Net position, beginning of year	6,967	2,479	9,446
Net position, end of year	$ 8,031	3,027	11,058

COUNTY OF SACRAMENTO
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 3,028	230	3,258
Payments to suppliers	(947)	(2,048)	(2,995)
Payments to employees	(368)		(368)
Payments for other operating activities	(57)		(57)
Payments for interfund services used	(13)		(13)
Net cash provided by (used for) operating activities	1,643	(1,818)	(175)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(32)		(32)
Intergovernmental revenue		1,675	1,675
Net cash provided by (used for) noncapital financing activities	(32)	1,675	1,643
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions		322	322
Acquisition and construction of capital assets	(596)	(486)	(1,082)
Proceeds from the sale of capital assets		28	28
Net cash used for capital and related financing activities	(596)	(136)	(732)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on cash and investments	155	21	176
Net increase (decrease) in cash and cash equivalents	1,170	(258)	912
Cash and cash equivalents, beginning of year	5,531	1,611	7,142
Cash and cash equivalents, end of year	$ 6,701	1,353	8,054

COUNTY OF SACRAMENTO
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	$ 904	(2,172)	(1,268)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	225	362	587
Other nonoperating revenue		28	28
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Receivables:			
Billed		155	155
Warrants payable	16	(184)	(168)
Accrued liabilities	501		501
Intergovernmental payable		(7)	(7)
Unearned revenues	(13)		(13)
Net pension liability and related deferred outflows and inflows	6		6
Total OPEB liability and related deferred outflows and inflows	4		4
Total adjustments	739	354	1,093
Net cash provided by (used for) operating activities	$ 1,643	(1,818)	(175)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

General Services - Created to provide many of the essential centralized support services that County departments require ensuring that their daily operations can be accomplished and their missions achieved. These activities include Administrative and Business Services, Construction Management and Inspection Division, Contract and Purchasing Services, Facility and Property Services, Real Estate, and Fleet Services.

Liability/Property Self-Insurance - Accounts for the County's program of self-insurance for liability claims and property insurance claims.

Workers' Compensation Self-Insurance - Accounts for the County's self-insurance for all workers' compensation claims.

Unemployment Self-Insurance - Accounts for the County's self-insurance for all unemployment claims.

Regional Radio Communications System - Accounts for the operations of the County's emergency response communications and other public safety activities.

Department of Technology - Accounts for central information technology and telecommunication support to County departments.

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

	General Services	Self-Insurance Liability / Property	Self-Insurance Workers' Compensation	Self-Insurance Unemployment	Regional Radio Communications System	Department of Technology	Total
Assets:							
Current assets:							
Cash and investments	$ 100,510	12,929	90,633	2,506	3,421	18,905	228,904
Receivables, net of allowance for uncollectibles:							
Billed	1						1
Interest	14				48		62
Intergovernmental	132						132
Prepaid items	53					480	533
Inventories	1,232						1,232
Total current assets	101,942	12,929	90,633	2,506	3,469	19,385	230,864
Noncurrent assets:							
Long-term advances to other funds	58		18,491				18,549
Long-term receivables			88				88
Capital assets:							
Buildings & improvements, infrastructure, equipment and intangibles, net	28,623	6	45		16,341	12,421	57,436
Total noncurrent assets	28,681	6	18,624		16,341	12,421	76,073
Total assets	130,623	12,935	109,257	2,506	19,810	31,806	306,937
Deferred outflows of resources:							
Deferred outflows related to pensions	15,311				369	16,696	32,376
Deferred outflows related to OPEB	221				7	325	553
Total deferred outflows of resources	15,532				376	17,021	32,929
Total assets and deferred outflows of resources	146,155	12,935	109,257	2,506	20,186	48,827	339,866

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

	General Services	Self-Insurance Liability / Property	Self-Insurance Workers' Compensation	Self-Insurance Unemployment	Regional Radio Communications System	Department of Technology	Total
Liabilities:							
Current liabilities:							
Warrants payable	$ 2,894	523	456		27	1,822	5,722
Accrued liabilities	5,158	405	33	1	112	2,653	8,362
Intergovernmental payable	9					239	248
Current portion of insurance claims payable		12,105	26,412	194			38,711
Current portion of long-term debt obligations	239				3	371	613
Unearned revenue			87		3,317	1,970	5,374
Total current liabilities	8,300	13,033	26,988	195	3,459	7,055	59,030
Noncurrent liabilities:							
Insurance claims payable		35,095	166,319				201,414
Long-term debt obligations	3,756				90	6,610	10,456
Net pension liability	40,896				949	42,983	84,828
Total OPEB liability	5,433				117	5,094	10,644
Total noncurrent liabilities	50,085	35,095	166,319		1,156	54,687	307,342
Total liabilities	58,385	48,128	193,307	195	4,615	61,742	366,372
Deferred inflows of resources:							
Deferred inflows related to pensions	11,148				119	5,409	16,676
Deferred inflows related to OPEB	1,470				8	338	1,816
Total deferred inflows of resources	12,618				127	5,747	18,492
Total liabilities and deferred inflows of resources	71,003	48,128	193,307	195	4,742	67,489	384,864
Net position:							
Net investment in capital assets	28,623	6	45		16,341	12,421	57,436
Unrestricted	46,529	(35,199)	(84,095)	2,311	(897)	(31,083)	(102,434)
Total net position (deficit)	$ 75,152	(35,193)	(84,050)	2,311	15,444	(18,662)	(44,998)

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

		Self-Insurance					
	General Services	Liability / Property	Workers' Compensation	Unemployment	Regional Radio Communications System	Department of Technology	Total
Operating revenues:							
Charges for sales and services	$ 147,264	20,809	29,712	1,474	3,848	90,740	293,847
Other	732	1,585	14		1,794	105	4,230
Total operating revenues	147,996	22,394	29,726	1,474	5,642	90,845	298,077
Operating expenses:							
Salaries and benefits	46,636				1,171	50,773	98,580
Services and supplies	80,419				791	28,371	109,581
Cost of sales and services	3,010						3,010
Depreciation and amortization	8,491		6		2,272	4,037	14,806
Claim payments and actuarial estimates		22,364	34,180	1,096			57,640
Other	426	56	220				702
Total operating expenses	138,982	22,420	34,406	1,096	4,234	83,181	284,319
Operating income (loss)	9,014	(26)	(4,680)	378	1,408	7,664	13,758
Nonoperating revenues (expenses):							
Use of money and property	585	(76)	759	21	88	155	1,532
Interest expense					(95)		(95)
Other expenses	(1,414)				(303)	(34)	(1,751)
Total nonoperating revenues (expenses)	(829)	(76)	759	21	(310)	121	(314)
Income (loss) before transfers	8,185	(102)	(3,921)	399	1,098	7,785	13,444
Transfers in		1,000					1,000
Transfers out	(3,902)				(77)	(7,327)	(11,306)
Changes in net position	4,283	898	(3,921)	399	1,021	458	3,138
Net position (deficit), beginning of year	70,869	(36,091)	(80,129)	1,912	14,423	(19,120)	(48,136)
Net position (deficit), end of year	$ 75,152	(35,193)	(84,050)	2,311	15,444	(18,662)	(44,998)

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	General Services	Self-Insurance: Liability / Property	Self-Insurance: Workers' Compensation	Self-Insurance: Unemployment	Regional Radio Communications System	Department of Technology	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and users	$ 729	1,585			5,537	91,281	99,132
Receipts from interfund services provided	153,758	20,809	29,725	1,473			205,765
Payments to suppliers	(84,272)	(23,411)	(16,613)	(870)	(1,030)	(21,360)	(147,556)
Payments to employees	(45,063)				(1,188)	(48,199)	(94,450)
Payments for other operating activities	(426)					(720)	(1,146)
Payments for interfund services used	(6,371)	(1,632)	(9,389)	(205)	(613)	(5,528)	(23,738)
Net cash flows provided by (used for) operating activities	18,355	(2,649)	3,723	398	2,706	15,474	38,007
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Receipt on advances to other funds	29		6,698				6,727
Transfers from other funds		1,000					1,000
Transfers to other funds	(3,902)				(77)	(7,327)	(11,306)
Net cash provided by (used for) noncapital financing activities	(3,873)	1,000	6,698		(77)	(7,327)	(3,579)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	(13,375)		(35)		(2,268)	(4,766)	(20,444)
Interest paid on long-term obligation					(95)		(95)
Proceeds from the sale of capital assets	1,413						1,413
Net cash used for capital and related financing activities	(11,962)		(35)		(2,363)	(4,766)	(19,126)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received (paid) on cash and investments	587	(76)	759	21	66	155	1,512
Net increase (decrease) in cash and cash equivalents	3,107	(1,725)	11,145	419	332	3,536	16,814
Cash and cash equivalents, beginning of year	97,403	14,654	79,488	2,087	3,089	15,369	212,090
Cash and cash equivalents, end of year	$ 100,510	12,929	90,633	2,506	3,421	18,905	228,904

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	General Services	Self-Insurance Liability / Property	Self-Insurance Workers' Compensation	Self-Insurance Unemployment	Regional Radio Communications System	Department of Technology	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES							
Operating income (loss)	$ 9,014	(26)	(4,680)	378	1,408	7,664	13,758
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and amortization	8,491		6		2,272	4,037	14,806
Other nonoperating expense					(303)		(303)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:							
Receivables:							
Billed	23						23
Intergovernmental	123						123
Prepaid items	(53)					(407)	(460)
Inventories	392						392
Long-term receivables			(1)				(1)
Warrants payable	(678)	52	43		19	1,116	552
Accrued liabilities	(404)	259	6	1	(568)	(106)	(812)
Intergovernmental payable	7					239	246
Unearned revenues					(105)	436	331
Compensated absences	40				38	(84)	(6)
Insurance claims payable		(2,934)	8,349	19			5,434
Net pension liability and related deferred inflows and outflows	1,295				(56)	2,246	3,485
Total OPEB liability and related deferred inflows and outflows	105				1	333	439
Total adjustments	9,341	(2,623)	8,403	20	1,298	7,810	24,249
Net cash provided by (used for) operating activities	$ 18,355	(2,649)	3,723	398	2,706	15,474	38,007

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AGENCY FUNDS

AGENCY FUNDS

Law Enforcement - Accounts for law enforcement revenues collected pending disbursement, reimbursement, or apportionment to the appropriate County law enforcement department or other local police agency.

Unapportioned Tax Collection - Accounts for property taxes received but not yet apportioned by the County.

Other - Accounts for other agency funds where the County holds money in a custodial capacity.

COUNTY OF SACRAMENTO
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	Law Enforcement	Unapportioned Tax Collection	Other	Total
Assets:				
Cash and investments	$ 68,475	14,544	163,802	246,821
Receivables, net of allowance for uncollectibles:				
Billed	488		1,483	1,971
Interest	190	4,242	1,066	5,498
Intergovernmental			65	65
Prepaid items			183	183
Total assets	$ 69,153	18,786	166,599	254,538
Liabilities:				
Warrants payable	$ 425	6,329	4,485	11,239
Accrued liabilities	1,360		38,194	39,554
Intergovernmental payable	67,368	12,457	123,920	203,745
Total liabilities	$ 69,153	18,786	166,599	254,538

COUNTY OF SACRAMENTO
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Law Enforcement				
Assets:				
Cash and investments	$ 67,866	609		68,475
Receivables, net of allowance for uncollectibles:				
Billed	408	80		488
Interest	875		685	190
Total assets	$ 69,149	689	685	69,153
Liabilities:				
Warrants payable	$ 303	122		425
Accrued liabilities	1,845		485	1,360
Intergovernmental payable	67,001	367		67,368
Total liabilities	$ 69,149	489	485	69,153

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Unapportioned Tax Collection				
Assets:				
Cash and investments	$ 15,767		1,223	14,544
Receivables, net of allowance for uncollectibles:				
Interest	2,085	2,157		4,242
Total assets	$ 17,852	2,157	1,223	18,786
Liabilities:				
Warrants payable	$ 8,369		2,040	6,329
Accrued liabilities	13		13	
Intergovernmental payable	9,470	2,987		12,457
Total liabilities	$ 17,852	2,987	2,053	18,786

COUNTY OF SACRAMENTO
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Other				
Assets:				
Cash and investments	$ 131,997	31,805		163,802
Receivables, net of allowance for uncollectibles:				
Billed	2,285		802	1,483
Interest		1,066		1,066
Intergovernmental	65			65
Prepaid items	104	79		183
Total assets	$ 134,451	32,950	802	166,599
Liabilities:				
Warrants payable	$ 7,711		3,226	4,485
Accrued liabilities	23,282	14,912		38,194
Intergovernmental payable	103,458	20,462		123,920
Total liabilities	$ 134,451	35,374	3,226	166,599

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Totals				
Assets:				
Cash and investments	$ 215,630	32,414	1,223	246,821
Receivables, net of allowance for uncollectibles:				
Billed	2,693	80	802	1,971
Interest	2,960	3,223	685	5,498
Intergovernmental	65			65
Prepaid items	104	79		183
Total assets	$ 221,452	35,796	2,710	254,538
Liabilities:				
Warrants payable	$ 16,383	122	5,266	11,239
Accrued liabilities	25,140	14,912	498	39,554
Intergovernmental payable	179,929	23,816		203,745
Total liabilities	$ 221,452	38,850	5,764	254,538

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TRUST FUNDS

TRUST FUNDS

INVESTMENT

Treasurer's Pool - Accounts for assets held for external investment pool participants.

Non-Pooled Investments - Accounts for separate investment pools and maintains accounts for assets of various long-term obligations.

COUNTY OF SACRAMENTO
TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	Investment Trust		
	Treasurer's Pool	Non-Pooled Investments	Total
Assets:			
Cash and investments	$ 2,868,855	638,228	3,507,083
Net position held in trust	$ 2,868,855	638,228	3,507,083

COUNTY OF SACRAMENTO
TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	Investment Trust		
	Treasurer's Pool	Non-Pooled Investments	Total
Additions:			
Contributions on pooled investments	$ 7,581,911	3,227,984	10,809,895
Use of money and property	71,154	8,443	79,597
Total additions	7,653,065	3,236,427	10,889,492
Deductions:			
Distributions from pooled investments	7,451,390	3,095,332	10,546,722
Changes in net position	201,675	141,095	342,770
Net position held in trust, beginning of year	2,667,180	497,133	3,164,313
Net position held in trust, end of year	$ 2,868,855	638,228	3,507,083

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Sacramento County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends - These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity - These schedules contain information to help the reader assess the County's most significant local revenue source, property and sales tax.

Debt Capacity - These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the county's ability to issue additional debt in the future.

Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

Operating Information - These schedules contain information about the County's operation and resources to help the reader understand how the county's financial information relates to the services the County provides and the activities it performs.

Sources - Unless otherwise noted; the information in these schedules is derived from the comprehensive annual financial reports for the relevant year(s).

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COUNTY OF SACRAMENTO
NET POSITION BY COMPONENT
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands)

	Fiscal Year									
	2009-10*	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Governmental activities										
Net investment in capital assets	$ 1,374,306	1,378,390	1,407,750	1,373,547	1,389,288	1,362,707	1,370,462	1,383,387	1,416,649	1,415,121
Restricted	437,559	390,498	429,831	305,772	284,613	179,628	496,622	639,813	677,982	679,546
Unrestricted	(316,689)	(363,502)	(301,596)	(222,334)	(206,727)	(1,945,922)	(2,164,382)	(2,351,925)	(2,531,677)	(2,579,412)
Total governmental activities net position	$ 1,495,176	1,405,386	1,535,985	1,456,985	1,467,174	(403,587)	(297,298)	(328,725)	(437,046)	(484,745)
Business-type activities										
Net investment in capital assets	$ 719,665	790,799	873,060	924,632	902,340	893,262	916,597	943,226	957,979	1,001,266
Restricted	216,266	182,288	140,552	119,827	113,277	117,472	116,658	116,219	106,816	130,601
Unrestricted	156,994	183,320	215,094	241,164	252,278	223,719	240,042	246,510	272,450	277,200
Total business-type activities net position	$ 1,092,925	1,156,407	1,228,706	1,285,623	1,267,895	1,234,453	1,273,297	1,305,955	1,337,245	1,409,067
Primary government										
Net investment in capital assets	$ 2,093,971	2,169,189	2,280,810	2,298,179	2,291,628	2,255,969	2,287,059	2,326,613	2,374,628	2,416,387
Restricted	653,825	572,786	570,383	425,599	397,890	297,100	613,280	756,032	784,798	810,147
Unrestricted	(159,695)	(180,182)	(86,502)	18,830	45,551	(1,722,203)	(1,924,340)	(2,105,415)	(2,259,227)	(2,302,212)
Total primary government net position	$ 2,588,101	2,561,793	2,764,691	2,742,608	2,735,069	830,866	975,999	977,230	900,199	924,322

* Restated 2009-10

Note: Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets, restricted and unrestricted. Net position is considered restricted when a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

COUNTY OF SACRAMENTO
CHANGES IN NET POSITION
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands)

	Fiscal Year									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Expenses										
Governmental activities:										
General government	$ 177,963	191,427	171,667	183,480	165,556	169,604	179,608	161,937	174,713	201,781
Public assistance	668,368	674,543	611,073	608,245	629,196	639,831	655,225	677,572	690,787	692,159
Public protection	650,198	673,751	630,142	711,957	760,358	725,108	781,244	862,968	953,258	1,006,545
Health and sanitation	595,816	528,449	555,490	566,548	574,814	502,535	554,731	712,033	677,587	714,167
Public ways and facilities	115,073	122,752	111,965	104,898	152,956	152,186	172,931	161,596	165,056	173,551
Recreation and culture	37,139	35,990	88,913	37,871	37,150	34,771	38,951	37,050	45,305	41,833
Education	21,053	3,578	1,858	2,548	1,353	1,820	1,729	1,658	1,535	1,561
Interest and fiscal charges	141,529	140,419	124,537	116,565	122,597	125,603	109,019	106,431	102,065	104,203
Total governmental activities	2,407,139	2,370,909	2,295,645	2,332,112	2,443,980	2,351,458	2,493,438	2,721,245	2,810,306	2,935,800
Business-type activities:										
Airport	130,724	128,941	167,303	204,930	199,264	188,132	187,985	193,233	199,349	195,411
Solid Waste	62,567	59,433	63,131	62,178	59,117	59,774	60,357	67,078	75,770	78,402
Water Agency	24,575	28,174	47,799	55,632	55,586	55,923	55,824	60,695	61,270	62,005
Parking Enterprise	3,247	1,914	2,037	1,819	1,725	2,463	1,893	3,238	3,781	2,067
County Transit	1,677	1,597	2,040	1,408	1,696	2,204	2,124	2,406	2,212	2,425
Total business-type activities	222,790	220,059	282,310	325,967	317,388	308,496	308,183	326,650	342,382	340,310
Total primary government	$ 2,629,929	2,590,968	2,577,955	2,658,079	2,761,368	2,659,954	2,801,621	3,047,895	3,152,688	3,276,110
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	$ 100,877	112,818	116,246	130,972	118,633	169,287	152,760	122,521	96,765	99,530
Public assistance	8,464	8,858	11,744	9,862	6,541		11			
Public protection	110,244	122,315	118,963	114,114	124,049	106,089	136,582	131,287	163,474	154,328
Health and sanitation	38,692	28,783	40,380	44,123	36,151	35,503	34,244	34,184	38,572	37,415
Public ways and facilities	31,912	31,660	27,227	15,441	79,336	57,397	56,088	55,997	68,807	75,339
Recreation and culture	12,735	14,435	13,181	13,249	12,915	12,808	21,799	18,169	12,114	12,080
Education	177	448	875	536	146					
Operating grants and contributions	1,128,887	1,168,916	1,153,418	1,162,723	1,225,662	1,223,283	1,214,579	1,366,484	1,402,804	1,416,772
Capital grants and contributions	38,434	24,658	22,257	38,570	40,793	18,210	42,248	21,461	42,584	29,327
Total governmental activities	$ 1,470,422	1,512,891	1,504,291	1,529,590	1,644,226	1,622,577	1,658,311	1,750,103	1,825,120	1,824,791

COUNTY OF SACRAMENTO
CHANGES IN NET POSITION
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands)

	Fiscal Year									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Business-type activities:										
Charges for services:										
Airport	$ 132,727	121,516	146,328	162,222	160,647	177,244	187,829	196,086	204,638	212,783
Solid Waste	65,907	67,970	71,101	72,148	70,469	69,636	70,492	76,093	77,943	82,104
Water Agency	46,847	54,999	57,989	64,844	65,460	63,649	67,233	64,495	80,432	84,736
Parking Enterprise	3,185	3,195	3,143	2,995	2,995	3,001	2,909	3,014	2,830	3,028
County Transit	158	164	178	252	220	227	243	252	260	281
Operating grants and contributions	22,943	21,764	25,855	23,694	20,001	878	2,415	2,350	3,159	2,541
Capital grants and contributions	10,211	16,133	15,872	56,887	11,891	19,119	15,383	16,833	8,636	19,039
Total business-type activities	281,978	285,741	320,466	383,042	331,683	333,754	346,504	359,123	377,898	404,512
Total primary government	$ 1,752,400	1,798,632	1,824,757	1,912,632	1,975,909	1,956,331	2,004,815	2,109,226	2,203,018	2,229,303
Net (expense)/revenue										
Governmental activities	$ (936,717)	(858,018)	(791,354)	(802,522)	(799,754)	(728,881)	(835,127)	(971,142)	(985,186)	(1,111,009)
Business-type activities	59,188	65,682	38,156	57,075	14,295	25,258	38,321	32,473	35,516	64,202
Total primary government net expense	$ (877,529)	(792,336)	(753,198)	(745,447)	(785,459)	(703,623)	(796,806)	(938,669)	(949,670)	(1,046,807)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property	$ 437,634	383,651	379,289	370,925	398,364	425,477	447,437	463,975	490,856	525,232
Sales/Use	58,357	59,614	63,774	70,857	73,686	74,171	82,762	82,453	86,146	96,730
Transient occupancy	4,467	3,483	3,383	3,878	3,860	4,534	4,335	5,845	6,583	6,699
Unrestricted investment earnings	15,016	1,250	(648)	13,199	13,348	13,857	18,291	17,024	10,678	30,907
Grants and contrib. not restricted to specific programs	197,855	230,748	237,046	239,894	234,422	287,041	285,041	257,252	251,839	264,231
Pledged tobacco settlement proceeds	12,393	12,365	12,609	19,004	12,493	12,368	12,229	12,577	15,016	14,555
Miscellaneous	105,003	120,593	90,168	80,293	78,304	51,966	86,600	95,586	113,475	118,482
Transfers	8,502	4,972	(6)	4,848	4,981	5,178	4,721	5,003	6,506	6,474
Extraordinary item - AB 99 obligation		(48,448)	48,448							
Total general revenues and transfers	$ 839,227	768,228	834,063	802,898	819,458	874,592	941,416	939,715	981,099	1,063,310

COUNTY OF SACRAMENTO
CHANGES IN NET POSITION
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands)

	Fiscal Year									
	2009-10	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Business-type activities:										
Sales/Use tax	$ 573	554	356	927	581	687	1,412	561	802	
Unrestricted investment earnings	2,617	1,018	2,701					4,627	6,082	14,094
Grants and contrib. not restricted to specific programs				3,878	1,973	1,473	3,832			
Transfers	(6,002)	(4,972)	6	(4,848)	(4,981)	(5,178)	(4,721)	(5,003)	(6,506)	(6,474)
Special item - Abatement of regulatory fees		1,200	350	(417)						
Extraordinary - Litigation Settlements			30,730							
Total general revenues and transfers	(2,812)	(2,200)	34,143	(460)	(2,427)	(3,018)	523	185	378	7,620
Total primary government	$ 836,415	766,028	868,206	802,438	817,031	871,574	941,939	939,900	981,477	1,070,930
Change in net position										
Governmental activities	$ (97,490)	(89,790)	42,709	376	19,704	145,711	106,289	(31,427)	(4,087)	(47,699)
Business-type activities	56,376	63,482	72,299	56,615	11,868	22,240	38,844	32,658	35,894	71,822
Total primary government	$ (41,114)	(26,308)	115,008	56,991	31,572	167,951	145,133	1,231	31,807	24,123

COUNTY OF SACRAMENTO
FUND BALANCES OF GOVERNMENTAL FUNDS
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands)

	Fiscal Year									
	2009-10*	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
General fund										
Reserved	$ 135,835									
Unreserved	(49,289)									
Nonspendable		15,435	14,967	14,618	32,640	30,837	27,857	51,167	36,478	18,319
Restricted		151,287	193,620	201,876	205,789	232,455	212,353	244,324	255,118	261,069
Assigned				1,212			9,780			75,303
Unassigned		(30,835)	(3,382)	(1)	(38,992)	(13,462)	24,931	37,267	76,162	
Total general fund	$ 86,546	135,887	205,205	217,705	199,437	249,830	274,921	332,758	367,758	354,691
All other governmental funds										
Reserved	$ 277,547									
Unreserved, reported in:										
Special revenue funds	259,518									
Capital project funds	767									
Special revenue funds										
Nonspendable		1,836	16,069	15,703	10,467	902	691			
Restricted		239,441	271,784	172,741	191,743	198,744	210,529	213,732	237,582	244,041
Debt Service funds										
Nonspendable										
Restricted		126,878	121,162	111,917	105,644	101,784	89,851	87,466	87,913	70,601
Capital projects funds										
Nonspendable		4,292	4,292	4,292						
Restricted		71,069	49,484	41,414	44,096	44,207	74,799	94,291	97,369	103,835
Unassigned		(1,974)	(2,013)	(2,066)						
Total all other governmental funds	$ 537,832	441,542	460,778	344,001	351,950	345,637	375,870	395,489	422,864	418,477

*FY 2009-10 Restated due to prior period adjustment and reclassification in governmental funds.

Note: In FY 2010-11, the County implemented GASB 54; accordingly, fund balance in now categorized as above, and the change was implemented prospectively.

COUNTY OF SACRAMENTO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands)

	Fiscal Year										
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Revenues											
Taxes	$	503,091	452,478	446,446	445,659	475,910	504,182	534,534	552,273	583,585	628,661
Use of money and property		14,753	12,057	13,033	13,135	13,347	13,843	18,212	16,970	10,937	29,960
Licenses and permits		37,285	40,187	39,183	46,254	50,032	56,766	61,423	66,241	71,853	63,338
Intergovernmental		1,366,831	1,432,358	1,408,860	1,444,711	1,524,291	1,546,630	1,601,586	1,654,188	1,685,673	1,684,433
Charges for services		182,714	184,038	177,714	174,666	249,034	244,887	269,695	257,641	269,158	274,573
Fines, forfeitures, and penalties		34,716	49,756	43,551	39,054	43,723	43,041	37,600	38,276	38,721	40,781
Pledged tobacco settlement proceeds		12,393	12,365	12,609	19,004	12,493	12,368	12,229	12,577	15,016	14,555
Contributions and donations								24,167	7,025	12,626	6,037
Miscellaneous		105,003	120,593	90,168	80,294	77,392	86,346	81,427	95,586	113,475	115,218
Total revenues		2,256,786	2,303,832	2,231,564	2,262,777	2,446,222	2,508,063	2,640,873	2,700,777	2,801,044	2,857,556
Expenditures											
General government		143,739	151,978	133,720	141,867	142,581	151,271	165,999	151,713	154,698	190,191
Public assistance		653,640	666,033	597,066	597,598	621,588	656,873	663,373	671,766	673,167	675,857
Public protection		597,467	633,933	633,761	660,322	718,386	753,721	797,866	817,939	860,247	918,419
Health and sanitation		559,019	513,468	535,088	553,781	564,824	522,894	559,977	610,859	655,842	693,869
Public ways and facilities		115,672	102,705	85,118	108,663	151,269	137,724	135,948	137,106	143,330	138,291
Recreation and culture		34,693	33,896	33,881	34,553	34,650	35,368	34,869	35,641	40,990	39,132
Education		20,229	2,988	1,179	1,040	1,025	1,604	1,286	1,422	1,487	1,367
Capital outlay		77,061	47,840	53,059	32,316	40,629	35,754	59,080	36,974	51,992	37,196
Debt service:											
Principal		81,356	85,295	70,736	79,956	72,695	69,242	67,346	55,263	60,668	111,160
Bond issuance cost		1,217		4,579		867					275
Interest and fiscal charges		109,087	125,166	114,172	123,615	125,196	137,656	135,661	138,928	141,405	93,778
Total expenditures		2,393,180	2,363,302	2,262,359	2,333,711	2,473,710	2,502,107	2,621,405	2,657,611	2,783,826	2,899,535
Excess (deficiency) of revenues over (under) expenditures	$	(136,394)	(59,470)	(30,795)	(70,934)	(27,488)	5,956	19,468	43,166	17,218	(41,979)

COUNTY OF SACRAMENTO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands)

	Fiscal Year									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Other financing sources (uses)										
Transfers in	$ 180,332	173,174	206,201	193,346	187,577	184,765	174,485	169,793	186,135	181,761
Transfers out	(155,924)	(158,246)	(171,550)	(175,433)	(156,053)	(167,637)	(158,151)	(152,894)	(159,219)	(164,981)
Capital leases obligations		29								
Issuance of debt	64,470	46,012	295,026	28,374	135,060	20,996	19,522	17,391	18,241	20,372
Tobacco settlement proceeds										
Refunding of debt issued	123,950									89,125
Premiums on debt issued	1,770									11,659
Discount on debt issued			(467)		(2,180)					
Swap, termination payment	(10,180)		(76,549)							
Payment to refunded bonds escrow agent	(103,008)		(181,760)		(108,850)					(113,411)
Total other financing sources (uses)	101,410	60,969	70,901	46,287	55,554	38,124	35,856	34,290	45,157	24,525
Extraordinary Item										
AB 99 obligation		(48,448)	48,448							
Changes in fund balances	$ (34,984)	(46,949)	88,554	(24,647)	28,066	44,080	55,324	77,456	62,375	(17,454)
Debt service as a percentage of noncapital expenditures	8.38 %	9.22 %	8.44 %	9.07 %	9.38 %	9.16 %	8.60 %	7.63 %	7.52 %	7.27 %

COUNTY OF SACRAMENTO
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
FISCAL YEARS 2009-10 THROUGH 2018-19
(full accrual basis)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales/Use Tax	Transient Occupancy Tax	Total
2009-10	$ 437,634	58,357	4,467	500,458
2010-11	383,651	59,614	3,483	446,748
2011-12	379,289	63,774	3,383	446,446
2012-13	370,925	70,856	3,878	445,659
2013-14	398,364	73,686	3,860	475,910
2014-15	425,477	74,171	4,534	504,182
2015-16	447,437	82,762	4,335	534,534
2016-17	463,975	82,453	5,845	552,273
2017-18	490,856	86,146	6,583	583,585
2018-19	525,232	96,730	6,699	628,661

COUNTY OF SACRAMENTO
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands)

Fiscal Year	Secured[A]	Unsecured[B]	Unitary[C]	Exemptions - Welfare-Other[D]	Total Taxable Assessed Value	Total Direct Tax Rate[E]
2009-10	$ 125,143,342	5,920,172	1,547,402	(5,202,526)	127,408,390	1.000
2010-11	122,565,815	5,553,385	1,488,079	(5,056,921)	124,550,358	1.000
2011-12	118,967,390	5,496,501	1,494,862	(5,495,233)	120,463,520	1.000
2012-13	115,610,824	5,519,515	1,445,961	(5,425,738)	117,150,562	1.000
2013-14	120,666,326	5,902,161	1,454,969	(5,518,271)	122,505,185	1.000
2014-15	128,286,361	6,429,967	1,483,454	(5,925,469)	130,274,313	1.000
2015-16	134,494,438	6,488,685	1,527,359	(6,387,204)	136,123,278	1.000
2016-17	141,945,673	6,213,686	1,540,805	(6,331,237)	143,368,927	1.000
2017-18	151,164,155	6,450,239	1,605,246	(6,829,284)	152,390,356	1.000
2018-19	161,252,864	6,909,322	1,508,979	(7,040,350)	162,630,815	1.000

A) Secured property is generally real property which includes land, improvements, structures, crops, vines, and mobile homes.
B) Unsecured property is generally personal property which includes boats, aircrafts, fixtures, equipments, leasehold improvements, and possessory interests.
C) Unitary properties are railroads, utilities properties which are assessed by the State Board of Equalization.
D) Exemptions as provided by the State Constitution provides property tax relieves to Welfare, Church, and Non-Profit Organizations.
E) Proposition 13 limits the General Direct Property tax rate to 1% of the net assessed values.

Note: All dollar estimates are in current dollars (not adjusted for inflation).

Source: Equalized Rolls Valuation reports

COUNTY OF SACRAMENTO
AVERAGE PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
FISCAL YEARS 2009-10 THROUGH 2018-19
(rate per $100 of assessed value)

Fiscal Year	Basic Tax Rate	Overlapping General Obligation Bonds Rates			
	Countywide[A]	Cities[B]	Special District[C]	Schools[D]	Total County Average Tax Rate
2009-10	1.000	0.0042		0.0390	1.0432
2010-11	1.000	0.0041		0.0374	1.0415
2011-12	1.000	0.0047		0.0471	1.0518
2012-13	1.000	0.0049		0.0479	1.0528
2013-14	1.000	0.0035		0.0559	1.0594
2014-15	1.000	0.0019		0.0497	1.0516
2015-16	1.000	0.0018		0.0473	1.0491
2016-17	1.000	0.0010		0.0531	1.0541
2017-18	1.000			0.0552	1.0552
2018-19	1.000			0.0589	1.0589

A) In June 1978 California voter approved Proposition 13, which restricted property taxes to a County-wide rate of 1 percent per $100 of assessed value plus voter approved indebtedness. The distribution of County-wide basic tax rate of 1 percent is based on the County's AB 8 Apportionment factors.
B) Rate represents a weighted average of seven incorporated cities within the County.
C) Rate represents a weighted average of the various special districts with general obligation bond rates.
D) Rate represents a weighted average of the various school districts with general obligation bond rates.

Source: County's internal financial documents

COUNTY OF SACRAMENTO
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2019 AND JUNE 30, 2010
(amounts expressed in thousands)

	June 30, 2019			June 30, 2010		
Taxpayer	Tax Levy[A]	Rank	Percentage of Total Tax Levy	Tax Levy[B]	Rank	Percentage of Total Tax Levy
Pacific Gas & Electric Co.	$ 13,629	1	0.88 %	$ 4,934	4	0.38 %
Intel Corporation	8,359	2	0.54	5,370	3	0.41
AT&T Communications	6,806	3	0.44	6,205	2	0.48
BRE Delta Industrial Sacramento	5,365	4	0.35			
Sacramento Downtown Arena	4,776	5	0.31			
Oakmont Properties	4,726	6	0.30			
Walmart	4,494	7	0.29			
MP Holdings LLC	4,377	8	0.28			
Cummings Trust	3,851	9	0.25			
Pac West Office Equities	3,807	10	0.25			
Hines Interests, LP				7,210	1	0.56
Rosetta Resources CA, Inc.				3,758	5	0.29
Donahue Schriber Realty Group				3,670	6	0.28
Aerojet General Corp				3,295	7	0.25
Elliott Homes, Inc.				2,992	8	0.23
Oates Marvin, et al				2,973	9	0.23
Surewest				2,762	10	0.21

(A) Tax levy amount provided by Tax and Licensing Division

(B) Source: FY 2009-10 County CAFR

Source: Sacramento County Department of Finance

COUNTY OF SACRAMENTO
COUNTY WIDE 1 PERCENT - SECURED AND UNITARY
PROPERTY TAX LEVIES AND COLLECTIONS
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands)

Fiscal Year	Taxes Levied[A]	Collections Within the Fiscal Year[B]		Collections in Subsequent Years[C]	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy[D]
2009-10	$1,190,013	1,156,791	97.21	33,081	1,189,872	99.99
2010-11	1,165,904	1,139,699	97.75	26,009	1,165,708	99.98
2011-12	1,127,451	1,108,086	98.28	19,116	1,127,202	99.98
2012-13	1,094,235	1,079,299	98.63	14,582	1,093,881	99.97
2013-14	1,160,120	1,146,609	98.84	12,929	1,159,538	99.95
2014-15	1,233,891	1,221,411	98.99	11,499	1,232,910	99.92
2015-16	1,288,948	1,278,225	99.17	9,188	1,287,413	99.88
2016-17	1,359,759	1,349,089	99.22	7,851	1,356,940	99.79
2017-18	1,453,162	1,441,490	99.20	5,777	1,447,267	99.59
2018-19	1,550,474	1,538,104	99.20		1,538,104	99.20

A) County wide 1 percent - Secured and Unitary Tax Rolls - Adjusted levy amount as of June 30; Levied Amounts for the County General Fund, School districts, Cities, and Special districts.

B) Collection amounts for the fiscal year as of June 30 for the County wide 1 percent portion of the Secured and Unitary Taxes.

C) In the 1993 fiscal year, the Board of Supervisors adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sales proceeds (Teeter Plan) as provided in California Revenue and Taxation Code Section 4701. Under the Teeter Plan, the Secured property tax roll is distributed to all taxing agencies with the County of Sacramento on the basis of the adjusted tax levy, rather than on the basis of actual cash collections.

D) The County has a teeter loan which covers the full balance of levied taxes. If collections are not made within 5 years, the property goes to public auction.

Note: All dollar estimates are in current dollars (not adjusted for inflation)

Estimates updated for FY2018-19, includes revised estimates for FY 2014-15 (may not be consistent with prior reported figures)

Source: County's internal financial documents

COUNTY OF SACRAMENTO
RATIOS OF OUTSTANDING DEBT BY TYPE
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands, except per capita amount)

	Governmental Activities						Business-Type Activities						
Fiscal Year	Certificates of Participation	Teeter Notes	Pension Obligation Bonds	Revenue Bonds	Capital Leases	Other Debt	Revenue Bonds	PFC and Subordinate Revenue Bonds	Certificates of Participation	Other Debt[A, C]	Total Primary Government	Percentage of Personal Income[B]	Per Capita[B]
2009-10	$ 340,285	56,419	931,453	342,722	9,972	7,178	1,097,430	363,330	23,205	16,220	3,188,214	5.91 %	2,263
2010-11	323,510	50,961	916,168	340,957	8,711	6,105	1,210,285	351,745	21,180	19,000	3,248,622	5.89 %	2,285
2011-12	306,535	50,897	1,266,834	353,572	7,824	2,435	1,194,285	339,880	19,085	18,499	3,559,846	6.14 %	2,481
2012-13	288,705	43,583	1,238,566	347,040	6,910	3,680	1,174,980	328,505	16,910	16,083	3,464,962	5.75 %	2,395
2013-14	273,746	34,432	1,201,018	342,686	4,891	3,559	1,165,846	314,516	15,401	13,829	3,369,924	5.38 %	2,310
2014-15	249,206	29,732	1,159,636	342,871	4,123	3,522	1,147,042	302,011	13,746	9,803	3,261,692	4.89 %	2,207
2015-16	233,261	25,494	1,114,323	332,104	3,479	4,606	1,123,317	288,848		7,310	3,132,742	4.38 %	2,094
2016-17	216,441	22,849	1,059,751	332,841	2,974	647	1,103,799	273,959		5,080	3,018,341	4.08 %	1,995
2017-18	198,681	21,618	995,112	331,024	2,227	581	1,068,687	259,699		6,110	2,883,739	3.75 %	1,884
2018-19	169,721	21,460	925,917	329,421	780	493	1,051,100	257,780		6,342	2,763,014	3.41 %	1,793

Notes:

The County of Sacramento has not had any General Obligation Bonds since 2002.

See the "Demographic and Economic Statistics" table for population figures.

A) Revised fiscal years 2009-10 through 2015-16 to include SMUD Water Rights.

B) Revised estimates for FY 2009-16 for Personal Income and Population based on the Demographic and Economic Statistics.

C) Usage fees for the City of Sacramento were paid in full in FY 2017-18.

COUNTY OF SACRAMENTO
LEGAL DEBT MARGIN INFORMATION
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands)

	Fiscal Year									
	2009-2010	**2010-2011**	**2011-2012**	**2012-2013**	**2013-2014**	**2014-2015**	**2015-2016**	**2016-2017**	**2017-2018**	**2018-2019**
Assessed Value of Property	$127,408,390	124,550,358	120,463,520	117,150,562	122,505,185	130,274,313	136,123,278	143,368,927	152,390,356	162,630,815
Debt Limit, 1.25% of Assessed Value (Statutory Limitation)	1,592,605	1,556,879	1,505,794	1,464,382	1,531,315	1,628,429	1,701,541	1,792,112	1,904,879	2,032,885
Amount of Debt Applicable to Limit:										
General Obligations Bonds										
Less: Resources Restricted to Paying Principal										
Total net debt applicable to limit										
Legal debt margin	$ 1,592,605	1,556,879	1,505,794	1,464,382	1,531,315	1,628,429	1,701,541	1,792,112	1,904,879	2,032,885
Total net debt applicable to the limit as a percentage of the limit	100	100	100	100	100	100	100	100	100	100

Note:

1) Article XIII A of the California State Constitution and Senate Bill 1656, Statutes of 1978, provided for changing assessed value from 25 percent of full cash value to full cash value. Hence, the 5 percent limitation on general obligation bond indebtedness imposed by Section 29909 of the Government Code became 1.25 percent of assessed value.

2) The legal debt margin is the County's available borrowing authority under State finance statues and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

Note: Assessed value of property inlcuded revised numbers for FY 2009-10 through 2014-15

Source: County's internal documents and financial statements

COUNTY OF SACRAMENTO
PLEDGED-REVENUE COVERAGE
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands)

Airport Revenue Bond Coverage

Fiscal Year	Gross Revenue[A]	Less: Operating Expenses[B]	Net Revenue	Debt Service Requirements[C] Principal	Debt Service Requirements[C] Interest	Coverage
2009-10	$ 132,007	83,385	48,622	8,155	9,052	2.83
2010-11	128,180	83,884	44,296	8,395	8,892	2.56
2011-12	146,057	95,730	50,327	11,395	24,586	1.40
2012-13	162,935	94,118	68,817	11,940	40,187	1.32
2013-14	160,589	88,122	72,467	9,720	39,708	1.47
2014-15	158,928	82,412	76,516	14,220	39,345	1.43
2015-16	171,151	88,096	83,055	14,820	38,743	1.55
2016-17	178,108	91,317	86,791	15,450	37,905	1.63
2017-18	187,410	101,128	86,282	2,865	36,338	2.20
2018-19	193,835	106,474	87,361	12,420	31,469	1.99

Water Agency[D]

Fiscal Year	Gross Revenue[E]	Less: Operating Expenses	Net Revenue	Debt Service Requirements[C] Principal	Debt Service Requirements[C] Interest	Coverage
2009-10	$ 45,435	16,505	28,930	6,975	17,393	1.19
2010-11	53,789	17,436	36,353	7,290	17,133	1.49
2011-12	56,491	19,415	37,076	7,605	16,801	1.52
2012-13	63,664	22,425	41,239	7,910	16,620	1.68
2013-14	63,743	22,201	41,542	8,240	15,365	1.76
2014-15	63,798	23,090	40,708	8,650	15,803	1.66
2015-16	67,351	22,882	44,469	9,070	15,399	1.82
2016-17	65,159	27,813	37,346	9,505	14,960	1.53
2017-18	81,172	27,169	54,003	9,955	14,538	2.20
2018-19	86,220	27,521	58,699	10,435	14,073	2.40

Note: Solid Waste Enterprise Fund does not have revenue bonds

A) Per bond resolution, revenues include all Airport revenues and exclude certain interest earnings and restricted revenues.

B) Total operating expenses exclusive of depreciation and amortization.

C) Includes principal and interest of revenue bonds only. Does not include certificates of participation.

D) Water Agency revenue bonds were issued May 9, 2007.

E) Gross revenue reflects the adjusted annual revenues on the Water Agency Enterprise Fund pledged revenue stream.

Source: County's internal financial documents

COUNTY OF SACRAMENTO
PRIVATE SECTOR PRINCIPAL EMPLOYERS
JUNE 30, 2019 AND 2010

	June 30, 2019			June 30, 2010		
Employer	Employees(A)	Rank	Percentage of Total County Employment	Employees(B)	Rank	Percentage of Total County Employment
UC Davis Health System	12,840	1	1.88 %			%
Kaiser Permanente	11,005	2	1.61	10,081	1	1.65
Sutter / California Health Services	8,177	3	1.20	7,314	3	1.20
Dignity / Mercy Healthcare	7,000	4	1.02	8,279	2	1.36
Intel Corporation	6,000	5	0.88	6,000	4	0.98
Apple Inc.	5,000	6	0.73			
Raley's Inc. / Bel Air	3,374	7	0.49	3,401	6	0.56
Health Net of California Inc.	3,000	8	0.45	2,512	8	0.41
VSP Global	2,700	9	0.40			
Amazon - Sacramento Fulfillment Center	2,000	10	0.29			
Wells Fargo & Co.				3,690	5	0.61
PRIDE Industries				2,841	7	0.47
Cashe Creek Casino Resort				2,460	9	0.40
Pacific Gas And Electric Co.				2,169	10	0.36
Total	61,096		8.95 %	48,747		8.00 %

Note:

(A) Sources: Sacramento Busines Journal Annual Book of Lists Current Year

(B) Source: FY 2010 Sacramento County CAFR

COUNTY OF SACRAMENTO
DEMOGRAPHIC AND ECONOMIC STATISTICS
FISCAL YEARS 2009-10 THROUGH 2018-19
(amounts expressed in thousands except per capita amount)

Fiscal Year	Population[A]	Personal Income	Per Capita Personal Income[B]	School Enrollment	Unemployment Rate[C]
2009-10	1,409	$ 53,826,177	$ 38,213	238	11.0 %
2010-11	1,422	54,666,004	38,443	238	12.6 %
2011-12	1,435	57,498,308	40,068	237	12.1 %
2012-13	1,447	59,775,785	41,303	238	10.5 %
2013-14	1,460	61,654,690	42,229	240	8.9 %
2014-15	1,478	65,486,553	44,303	241	7.3 %
2015-16	1,497	70,110,138	46,845	243	6.0 %
2016-17	1,514	72,878,458	48,122	244	5.4 %
2017-18	1,531	76,832,120	50,197	246	4.6 %
2018-19	1,541	80,969,087	52,544	247	3.8 %

Note:

All dollar estimates are in current dollars which are not adjusted for inflation.

Estimates updated November 15, 2019, include new estimates for FY 2017-18 and revised estimates for FY 2009-10 through FY 2015-16, which may not be consistent with prior reported figures.

A) Census Bureau midyear population estimates. Estimates for FY 2009-10 through FY 2017-18 reflect County population estimates available as of March 2019.

B) Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for FY 2010-2017 reflect County population estimates available as of March 2019.

C) Unemployment rate reflects the March 2019 annual revision.

Source: U.S. Department of Commerce, Bureau of Economic Analysis; California Department of Education, K-12 Public School Enrollment for Sacramento County; and California State Employment Development Department.

COUNTY OF SACRAMENTO
FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
FISCAL YEARS 2009-10 THROUGH 2018-19

	Full-Time Equivalent Employees as of June 30th									
Function	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
General Government	907	945	916	890	1,076	894	895	912	905	853
Public Assistance	2,339	2,210	2,156	2,132	2,165	2,179	2,239	2,259	2,224	2,103
Public Protection	3,683	3,548	3,574	3,571	3,591	3,806	3,948	3,960	3,952	4,280
Health & Sanitation	2,661	2,089	2,018	2,032	1,952	1,952	2,057	2,181	2,156	2,230
Recreation and Culture	162	129	120	106	137	138	154	134	157	164
Education	2	3	2	2	1	1				
Public Ways and Facilities						271	277	257	246	244
Non-Governmental									11	12
Total	9,754	8,924	8,786	8,733	8,922	9,241	9,570	9,703	9,651	9,886

Source: County of Sacramento Department Records - Governmental Type Employees Only (Excludes Business Type and Dependent Special District Employees)

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COUNTY OF SACRAMENTO
OPERATING INDICATORS BY FUNCTION
FISCAL YEARS 2009-10 THROUGH 2018-19

Function	Fiscal Year									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
General Government										
Assessor:										
Number of parcels assessed	506,063	503,108	502,709	502,527	501,887	503,717	505,436	505,076	508,941	504,653
Gross total of secured roll (in thousands)	125,707,295	123,216,166	119,315,245	115,975,517	120,409,431	128,067,747	134,202,599	141,838,766	151,097,866	161,271,858
Gross total of unsecured roll (in thousands)	5,920,223	5,553,385	5,496,500	5,519,515	5,902,161	6,430,072	6,488,685	6,220,235	6,450,239	6,909,322
Clerk Recorder:										
Number of recorded documents	377,728	385,599	396,098	433,820	326,097	355,598	362,930	383,763	369,638	336,384
Public Assistance										
Human Assistance total caseload	156,811	158,439	177,402	189,591	216,504	293,840	330,167	328,585	318,056	314,269
Percent served of children in poverty	96	91	91	86	81	66	61	61	62	62
Senior nutrition, meals served	478,197									
Housing services provided[A]	12,794	12,299	9,369	2,378	2,457	2,203	2,069	1,812	2,319	2,349
Employee non-exempt recipients CalWORKs	30	29	21	41	45	47	52	67	59	61
Public Protection										
District Attorney:										
Filed felonies	8,589	8,897	8,496	8,815	9,342	8,496	8,854	8,641	9,077	8,294
Filed misdemeanors	17,353	16,399	13,888	14,095	13,539	14,553	15,164	14,397	13,342	14,514
Filed probation violations[B]	1,355	1,864	1,042	1,153	1,939	1,785	1,517	1,785	1,884	1,856
Probation:										
Cases supervised[E]	15,988	14,810	24,989	24,776	28,402	27,939	28,246	28,383	27,701	26,688
Institutional care for minors (days)[C]	114,764	82,004	65,194	68,597	69,339	69,696	62,776	50,237	46,760	43,535
Juvenile referrals processed	11,816	10,188	8,769	8,836	8,105	6,605	5,519	4,520	3,693	3,086
Prepared adult sentencing reports[D, F, G, H, I]	9,658	6,308	7,249	6,380	6,209	9,081	9,604	11,255	13,999	18,227
Public Defender:										
Felony Unit jury trials	139	135	130	161	147	159	161	199	133	141
Sheriff:										
Emergency calls for service:										
Priority 0	66									
Priority 1	3,698	3,535	3,891	3,985	3,785	4,095	4,070	4,450	4,311	4,319
Emergency response time (minutes):										
Priority 0	14									
Priority 1	11	10	14	12	12	12	13	12	11	11
Processed and booked adult offenders	20,242	19,064	20,601	19,443	19,991	20,292	20,538	15,824	21,616	19,107
Physical arrests	23,237	21,903	25,414	23,143	23,856	23,733	24,441	18,785	24,928	21,659
Total miles patrolled by Sheriffs[J]	813	813	813	813	813	813	813	813	813	813

A) Housing Services Provided includes only the programs by DHA, including emergency shelters, and the data does not include the programs DHA does not administer, for the year noted and all thereafter. Note relates to Housing Services Provided FY 2012-13 .

B) Revised Filed Probation Violations for years 2009-10 and 2010-11.

C) Due to budget reductions, the Warren E. Thornton Youth Center (WETYC) and the Sacramento County Boys Ranch (SCBR) were closed as of July 1, 2009 and July 1, 2010, respectively. Note relates to Institutional Care for minors (days) FY 2009-10.

D) The implementation of Presentence Investigation Report Waivers likely accounts for the reduction in number of prepared Adult Court reports. Note relates to Prepared Adult Sentencing Reports FY 2010-11.

E) Beginning in FY 2011-12, a new report was created to capture cases under Probation's jurisdiction and include Post Release Community Supervision (PRCS) offender population.

F) Probation is now responsible for under Assembly Bill 109 (Statutes of 2011). Note relates to Prepared Adult Sentencing Reports FY 2014-15.

G) Due to restructuring, we now have capacity to report on data and critical workload that we have previously been unable to capture and quantify. Note relates to Prepared Adult Sentencing Reports FY 2014-15.

H) Begining in FY 2016-17, Restitution Determination and Recommendation reports for Adult Sentencing replaced LSCMI assessments which are no longer conducted at Adult Court.

I) Beginning 1/1/2018 Firearm Possession and relinquishment reports are captured.

J) May 31, 2011, the total miles patrolled by Sheriff's was revised for FY 2006-07 forward, due to loss of contracts with Citrus Heights and Elk Grove.

Source: County of Sacramento Department Records

COUNTY OF SACRAMENTO
OPERATING INDICATORS BY FUNCTION
FISCAL YEARS 2009-10 THROUGH 2018-19

Function	Fiscal Year									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Health and sanitation										
Patient treatments at Public Health clinics	96,184	76,004	80,568	61,015	48,229	20,751	19,700	23,613	29,791	30,532
Training:										
Programs in compliance (by inspection)[K]	100	100			27	95	100	100	100	100
Public ways and facilities										
Number of traffic signs resent and replaced	14,146	16,147	16,751	12,728	12,952	14,909	13,910	16,129	8,635	7,099
Square feet of graffiti removed or abated	341,749	201,315	76,132	96,848	136,989	185,195	205,084	131,490	129,600	200,587
Recreation and culture										
Number of visitors/participants at Effie Yeaw Nature Center (EYNC)[L]	84,449									
Number of individuals who use Parks' golf services	181,550	174,000	170,076	162,937	164,579	163,722	157,095	131,248	147,029	142,048
Education										
Library:										
Total circulation[M]		8,021,448	7,648,145	7,329,585	7,113,116	7,339,735	7,480,731	7,064,066	7,573,185	8,112,087
Print materials loaned[M]	6,338,259									
Audio visual media loaned[M]	1,391,325									
Library cards issued	80,429	74,224	78,088	62,194	64,686	66,835	63,384	60,535	100,733	142,678
Total library cards in use	637,160	635,895	651,370	710,008	665,840	656,423	651,636	692,508	706,452	771,503
Library visits	4,362,116	4,391,093	4,053,689	4,062,724	4,144,307	4,183,751	4,252,802	3,625,829	3,667,015	3,712,147
Airport										
Number of commercial airlines	14	11	11	11	11	11	10	10	11	16
Number of flights	52,504	49,425	49,316	47,826	46,871	46,621	48,627	50,551	55,879	60,082
Number of enplaned passengers	4,445,991	4,377,315	4,480,003	4,419,545	4,376,237	4,628,597	4,943,185	5,198,184	5,761,586	6,298,447
Solid Waste										
Percent of diversion/recycled waste	70	71	71	73	73	74	73	70	68	63
Tons disposed	471,488	513,649	558,752	607,075	596,972	623,824	657,247	747,704	796,946	890,301
Water Agency										
Water supply:										
Number of water connections[N]	49,069	49,580	50,138	50,813	51,652	52,400	53,439	54,464	55,178	56,137
Water delivered (acre feet)	39,428	38,781	42,594	43,178	41,045	35,112	31,174	35,079	39,750	39,750
Storm Water Utilities										
Drainage:										
Mainline and lateral pipes cleaned (miles)	60	57	72	73	66	66	119	84	107	133
Parking Enterprise										
Daily public parking (count)	168,490	145,429	131,945	126,568	131,163	136,440	151,629	149,112	135,932	116,094
Monthly parking passes issued to County employees (count)	18,456	17,736	17,280	17,304	17,580	17,652	17,640	18,216	21,180	20,676
Outside agency usage	11,251	12,350	11,775	11,703	10,021	8,995	7,792	4,555	4,551	4,040

K) Non Mandated inspections suspended due to budget/staff reductions. Program rebuilding measures are underway. Note Relates to programs in compliance (by inspection FY 2011-12 and FY 2012-13).
L) Beginning FY 2010-11 EYNC is no longer operated by the County: therefore, this information is not available for the year noted and all thereafter. Note relates to Number of Visitors/Program Participants at Effie Y for FY 2010-11 and all thereafter.
M) Book loaned and audio visual media loaned statistics are combined effective FY 2010-11 for the year and thereafter.
N) For FY 2009-10 through FY 2011-12, stats for Number of Water Connections were revised after a program error was discovered by CUBS and a subsequent recount performed.

Source: County of Sacramento Department Records

COUNTY OF SACRAMENTO
CAPITAL ASSET STATISTICS BY FUNCTION
FISCAL YEARS 2009-10 THROUGH 2018-19

Function	**Fiscal Year**									
	2009-10	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Public Protection										
Sheriff:										
Administrations buildings	1	1	1	1	1	1	1	1	1	1
Aircrafts										
Operational	5	4	5	5	5	5	5	5	5	5
Non-Operational	-	1		0		0		0	0	0
Fixed Wing										
Sheriff	1	1	1	1	1	-	-	-	-	0
CAL-MMET	2	2	2	2	2	2	2	2	2	2
Community service centers	10	5	5	5	5	6	7	8	8	8
Jail and detention facilities	2	2	2	2	2	2	2	2	2	2
Patrol Units	305	315	315	328	328	328	386	385	409	397
Stations	3	3	3	3	3	3	3	3	3	3
Health and Sanitation										
Clinics	3	1	1	1	1	1	1	1	1	1
Mental Health Treatment										
Clinics	1	1	1	1	1	1	1	1	1	1
Public ways and facilities										
Centerline miles of roads maintained	2,208	2,208	2,208	2,198	2,202	2,202	2,200	2,203	2,202	2,208
Traffic signals	450	449	451	451	459	461	466	473	476	505
Recreation and culture										
Number of golf courses	4	4	4	4	4	4	4	4	4	4
Number of developed parks	38	38	38	38	38	38	38	38	38	38
Developed parks acreage	15,150	15,150	15,150	15,187	15,187	15,189	15,189	15,189	15,189	15,189
Education										
Number of libraries[A]	11	11	11	11	11	11	11	11	11	11

A) There are 16 County libraries 11 buildings are County owned and 5 are owned by other government entities or leased.

Source: County of Sacramento Department Records

COUNTY OF SACRAMENTO
CAPITAL ASSET STATISTICS BY FUNCTION
FISCAL YEARS 2009-10 THROUGH 2018-19

Function	Fiscal Year									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Airport										
Airports	4	4	4	4	4	4	4	4	4	4
Licensed vehicles:										
Cars and light trucks	148	147	156	154	159	168	205	201	189	182
Busses	33	33	33	32	32	32	51	42	28	33
Solid Waste										
Number of collection trucks	149	139	100	105	109	108	100	100	100	100
Number of landfills	3	3	3	3	3	3	3	3	3	3
Water Agency										
Water Supply:										
Water mains (miles)	753	761	766	776	785	797	805	812	829	851
Storage capacity (thousands of gallons)	39,400	39,400	39,400	61,900	61,900	61,900	61,900	61,900	61,600	61,600
Drainage:[B]										
Drainage inlets	44,131	44,356	44,555	39,439	37,669	38,841	38,651	38,425	37,262	37,145
Drainage manholes	25,004	25,147	25,378	23,489	22,793	23,544	23,573	23,589	23,127	23,302
Drainage pipes (miles)	1,338	1,342	1,345	1,333	1,276	1,359	1,353	1,341	1,293	1,293
Parking Enterprise										
Structures	2	2	2	2	2	2	2	2	2	2

B) The amounts for Drainage Inlets, Drainage Manholes and Drainage Pipes (Miles) were revised for every year reported (2001-02 - 2008-09). Because the original "Hansen" database in which these items were tracked was inadequate, counts were not accurate. Once a transition was made to a GIS system, these items were recalculated with better counts being reported.

Source: County of Sacramento Department Records

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

BOND DISCLOSURES

COUNTY OF SACRAMENTO

DEPARTMENT OF AIRPORTS

WATER AGENCY ENTERPRISE FUND

COUNTY OF SACRAMENTO
ANNUAL CONTINUING DISCLOSURES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

This meets the County of Sacramento Annual Continuing Disclosure filing required as of December 31, 2019, in compliance with the County's Continuing Disclosure Agreements. The information herein speaks only as of this date and is subject to change without notice, and shall not, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. The presentation of information is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

This Section contains three separate Annual Continuing Disclosure filings for the following:

1. Certificates of Participation; Pension Obligation Bonds; and River City Regional Stadium Financing Authority Lease Revenue Bonds
2. Airport Revenue Bonds
3. Water Financing Authority Revenue Bonds

COUNTY OF SACRAMENTO
ANNUAL CONTINUING DISCLOSURES FOR:
CERTIFICATES OF PARTICIPATION; PENSION OBLIGATION BONDS; AND
RIVER CITY REGIONAL STADIUM FINANCING AUTHORITY LEASE REVENUE BONDS

REQUIRED TABLES

Sacramento County Investment Pool
(Quarter Ended on September 30, 2019)

Average Daily Balance	$3,658,920,049
Period-End Balance	$3,554,687,797
Yield	2.326%
Weighted Average Maturity	384 Days
Duration in Years	1.019 Years
Historical Cost	$3,556,089,508
Fair Value	$3,581,524,567
Percent of Market to Cost	100.72%

COUNTY OF SACRAMENTO
ANNUAL CONTINUING DISCLOSURES FOR:
CERTIFICATES OF PARTICIPATION; PENSION OBLIGATION BONDS; AND
RIVER CITY REGIONAL STADIUM FINANCING AUTHORITY LEASE REVENUE BONDS

REQUIRED TABLES

General Fund Adopted Budget[1]
(amounts expressed in thousands)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
APPROPRIATIONS				
Reserve Increase/(Decrease)	$ 9,846	8,707	152,393	50,634
General Government	89,578	46,237	53,270	57,783
Public Protection	872,831	931,902	1,183,480	1,231,690
Health and Sanitation	699,212	715,230	496,855	524,399
Public Assistance	715,300	746,774	851,531	889,257
Education, Cultural and Recreation	20,953	23,899	26,582	27,141
Contingencies	1,958	4,288	2,178	1,185
TOTAL APPROPRIATIONS	$ 2,409,678	2,477,037	2,766,289	2,782,089
AVAILABLE FUNDS				
Beginning Appropriated Fund Balance/Carryover	$ 50,601	48,802	267,735	178,135
Equity Transfer In	1,696	1,826	1,029	15
Reserve Cancellation	1,148	11,746	2,799	29,836
Taxes	533,491	564,689	592,697	626,658
Licenses and Permits	12,169	11,858	11,758	11,283
Fines, Forfeitures and Penalties	27,232	23,897	27,284	24,104
Realignment			638,868	649,966
Proposition 172			123,583	131,830
Mental Health Services			59,511	65,686
Clerk/Recorder Fees			1,875	3,037
Use of Money and Property	3,001	773	749	453
Aid from Other Government Agencies (state and federal)	1,602,487	1,651,515	882,815	897,413
Charges for Current Services	140,736	123,408	119,112	121,737
Other Revenues	37,117	38,523	36,474	41,936
TOTAL AVAILABLE FUNDS	$ 2,409,678	2,477,037	2,766,289	2,782,089

[1] Board of Supervisors adopted budget prior to any Appropriation Adjustment Requests (AAR).

COUNTY OF SACRAMENTO
HISTORY OF GROSS ASSESSED VALUATIONS
(amounts expressed in thousands)

Fiscal Year	Total Gross Assessed Valuation	Secured/Unsecured Roll Growth
2010-11	$ 128,769,551	(2.17) %
2011-12	124,811,747	(3.07)
2012-13	121,495,032	(2.66)
2013-14	126,311,592	3.96
2014-15	134,497,818	6.48
2015-16	140,691,284	4.60
2016-17	148,052,405	5.23
2017-18	157,548,105	6.41
2018-19	168,181,180	6.75
2019-20	179,165,611	6.53

Countywide Secured Tax Levies, Delinquencies and Collections
(excludes levies for bond debt service and special assessments)
(amounts expressed in thousands)

Fiscal Year	Secured Tax Levies	Current Levy Delinquent June 30	Percent Current Levy Delinquent June 30	Total Collections June 30[1]	Total Collection Current Levy
2010-11	$ 1,151,004	$ 26,205	2.28 %	$ 1,124,799	97.72 %
2011-12	1,112,482	19,365	1.74	1,093,117	98.26
2012-13	1,079,750	14,936	1.38	1,064,814	98.62
2013-14	1,145,549	13,511	1.18	1,132,038	98.82
2014-15	1,219,035	12,480	1.02	1,206,555	98.98
2015-16	1,273,652	10,723	0.84	1,262,929	99.16
2016-17	1,344,330	10,670	0.79	1,333,660	99.21
2017-18	1,437,087	11,672	0.80	1,425,415	99.20
2018-19	1,535,361	12,370	0.80	1,522,911	99.20

1) Includes prior years' redemption, penalties and interest.

COUNTY OF SACRAMENTO
Largest Secured Taxpayers FY 2019-20
(includes levies for bond debt service and special assessments)

Taxpayer	Amount
Pacific Gas & Electric Co.	$ 14,807,827
Intel Corporation	8,755,930
BRE Delta Industrial Sacramento	8,614,718
AT&T Communications	7,210,287
Oakmont Properties	6,417,976
Walmart	5,400,586
MP Holdings LLC	5,296,306
Lennar Homes of California	4,811,619
Sacramento Downtown Arena	4,722,241
Buzz Oats	4,455,137
Total (represents 2.97% secured tax roll levy):	$ 70,492,627

COUNTY OF SACRAMENTO
Total General Fund Revenues, Expenditures and Changes in Fund Balance FY 2014-15 through FY 2018-19
(amounts expressed in thousands)

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Beginning Fund Balance	$ 199,437	249,830	274,921	332,758	367,758
Revenues					
Taxes	463,728	494,863	514,893	545,813	587,675
Use of money/property	7,280	7,113	6,808	3,618	12,073
Licenses and permits	11,134	11,969	12,252	12,118	11,460
Intergovernmental	1,466,676	1,489,123	1,576,802	1,582,139	1,590,790
Charges for sales and services	134,703	141,723	140,190	121,064	129,071
Fines, forfeitures and penalties	28,626	25,096	26,983	26,533	28,745
Miscellaneous	45,215	38,834	49,782	67,614	62,037
Total Revenues	2,157,362	2,208,721	2,327,710	2,358,899	2,421,851
Transfers in	13,406	20,202	9,959	10,622	10,882
Total Revenues and Transfers	2,170,768	2,228,923	2,337,669	2,369,521	2,432,733
Expenditures					
General government	97,544	108,869	102,233	105,311	121,310
Public assistance	656,873	663,373	671,766	673,167	675,857
Public protection	737,049	778,690	797,977	801,433	849,736
Health and sanitation	493,513	526,162	575,906	615,740	655,505
Recreation and culture	16,011	17,670	16,984	18,655	22,007
Education	318	319	332	378	389
Total Expenditures	2,001,308	2,095,083	2,165,198	2,214,684	2,324,804
Transfers out	119,067	108,749	114,634	119,837	120,996
Total Expenditures and Transfers	2,120,375	2,203,832	2,279,832	2,334,521	2,445,800
Net change in fund balance	50,393	25,091	57,837	35,000	(13,067)
Ending Fund Balance	$ 249,830	274,921	332,758	367,758	354,691

COUNTY OF SACRAMENTO
Lease Obligations

As of July 1, 2019

Series	Project(s)	Amount Issued	Principal Amount Outstanding	Final Maturity	County Liability
2003 Certificates of Participation; dated 06/19/03	Juvenile Courthouse	36,150,000	24,740,000	2034	100%
1999 River City Regional Stadium Financing Authority, Taxable Lease Revenue Bonds	River Cats Stadium	39,990,000	25,570,000	2029	66% (if ticket receipts insufficient)
2010 Refunding Certificates of Participation; dated 03/12/10	Main Detention Facility; Parking Garage; Cherry Island Golf Course	126,105,000	46,350,000	2031	100%
2018 COP Refunding	Coroner/Crime Lab; Data Center; Fleet Maintenance Building	89,125,000	85,890,000	2034	100%

Earthquake Insurance:

As of the date of this Annual Continuing Disclosure Report, earthquake insurance is in effect for the leased premises of the County of Sacramento 2010 Refunding Certificates of Participation.

COUNTY OF SACRAMENTO
Pension Obligation Bonds

As of July 1, 2019

Series	Purpose	Amount Issued	Principal Amount Outstanding	Fiscal Year Final Maturity	Anticipated General Fund Payment Percent
County of Sacramento Taxable Pension Obligation Bonds, Series 1995A[(1)(2)]	Fund Pension System	$ 404,060,208	$ 142,400,000	2022	75%
County of Sacramento Taxable Pension Obligation Bonds, Series 2003B[(2)]	Partially Refund Series 1995A	97,441,330	133,410,000	2024	75%
County of Sacramento Taxable Pension Funding Bonds, Refunding Series 2008	Refund Series 2004C-1	359,165,000	321,315,000	2031	75%
County of Sacramento Taxable Pension Bonds, Series 2011A	Refund Series 1995B,C	183,365,000	145,155,000	2023	75%
County of Sacramento Taxable Pension Bonds, Series 2011B	Refund Series 2009	73,875,000	73,875,000	2024	75%
County of Sacramento Taxable Pension Bonds, Series 2013	Refund Series 2004C-3	111,960,000	111,960,000	2025	75%

(1) Series 1995A amount outstanding reflects partial refund/defease of $128,430,000 with Series 2003.

(2) Series 1995A and 2003B amounts outstanding reflect fully accreted value of capital appreciation bonds. Full accretion date and conversion to current interest for the 1995A Series occurred August 15, 1998, and for the 2003B Series on February 15, 2009.

Other County General Fund Obligations

Outstanding loans between the County General Fund and the County Treasury Pool are detailed below. The Teeter Plan Loans are also loans between the County and the County's Pooled Investment Fund for a maximum of five years. The interest rate charged is variable and reset quarterly. There are no pre-payment penalties, thereby providing the County with the flexibility to opt-in at a later date into an alternative form of Teeter Plan financing.

As of June 30, 2019
(amounts expressed in thousands)

Description	Original Loan Amount	Principal Amount Outstanding	Final Maturity
Sacramento County (Teeter Plan)	$ 20,996	$ 1,013	08/01/2019
Sacramento County (Teeter Plan)	19,522	1,822	08/03/2020
Sacramento County (Teeter Plan)	17,391	2,773	08/02/2021
Sacramento County (Teeter Plan)	18,241	4,887	08/01/2022
Sacramento County (Teeter Plan)	20,372	10,965	08/01/2023

COUNTY OF SACRAMENTO
County of Sacramento Aggregate Debt Service
Current Outstanding Debt-Certificates of Participation Only
(includes principal and interest)
As of July 1, 2019

Period Ending June 30	Series 2003 Juv Court COPs	Series 2010 Refunding COPs	Series 2018A Refunding COPs	Series 2018B Refunding COPs	County's Portion of Series 1999 Lease Revenue Bonds(1)	FY Total
2020	2,215,075	9,157,675	4,871,125	4,791,000	2,357,816	23,392,691
2021	2,215,700	5,659,950	4,872,750	4,792,000	2,352,062	19,892,462
2022	2,213,575	5,257,625	4,871,000	4,796,750	2,349,432	19,488,382
2023	2,213,575	5,260,875	4,875,375	4,795,000	2,345,917	19,490,742
2024	2,215,450	5,258,125	4,870,500	4,791,625	2,340,980	19,476,680
2025	2,214,281	5,260,175	4,871,000	4,796,125	2,337,278	19,478,859
2026	2,215,419	5,257,825	4,871,250	4,793,125	2,334,002	19,471,621
2027	2,214,006	5,259,262	4,870,750	4,787,500	2,327,147	19,458,665
2028	2,214,938	5,262,475	4,873,875	4,793,625	2,322,568	19,467,481
2029	2,213,106	5,261,600		4,791,000	2,315,989	14,581,695
2030	2,212,000	5,261,063		4,789,375	2,309,799	14,572,237
2031	2,215,750			4,788,250		7,004,000
2032	2,215,000			4,796,875		7,011,875
2033	2,214,625			4,789,875		7,004,500
2034	2,214,375			4,791,875		7,006,250
2035	2,214,000					2,214,000
Total	35,430,875	62,156,650	43,847,625	71,884,000	25,692,990	239,012,140

(1) County required to pay only 66.667 % of total lease payments, and only if ticket receipts insufficient. The County has never been required to make any debt service payments.

COUNTY OF SACRAMENTO
County of Sacramento Aggregate Debt Service
Current Outstanding Debt-Pension Obligation Bonds and Certificates of Participation
(includes principal and interest)
As of July 1, 2019

Period Ending June 30	Series 1995A POBs	Series 2003B Refunding POBs	Series 2008 Refunding POBs(1)	Series 2011A Refunding POBs	Series 2011B Refunding POBs	Series 2013 Refunding POBs(2)	FY POBs Total	FY COPs Total	FY POBs & COPs Combined
2020	$ 47,356,920	7,644,393	33,312,489	38,210,396	4,894,219	8,117,100	139,535,517	23,392,691	162,928,208
2021	53,371,768	7,644,393	33,813,999	35,792,492	4,894,219	8,117,100	143,633,971	19,892,462	163,526,433
2022	59,573,008	7,644,393	35,700,648	31,803,530	4,894,219	8,117,100	147,732,898	19,488,382	167,221,280
2023		99,427,255	36,533,905	3,740,292	4,894,219	8,117,100	152,712,771	19,490,742	172,203,513
2024		40,035,058	38,281,039	60,130,146	4,894,219	8,117,100	151,457,562	19,476,680	170,934,242
2025			39,239,366		76,322,109	34,437,113	149,998,588	19,478,859	169,477,447
2026			41,211,936			87,718,563	128,930,499	19,471,621	148,402,120
2027			43,011,983				43,011,983	19,458,665	62,470,648
2028			44,238,161				44,238,161	19,467,481	63,705,642
2029			46,212,341				46,212,341	14,581,695	60,794,036
2030			47,915,587				47,915,587	14,572,237	62,487,824
2031			48,879,209				48,879,209	7,004,000	55,883,209
2032								7,011,875	7,011,875
2033								7,004,500	7,004,500
2034								7,006,250	7,006,250
2035								2,214,000	2,214,000
Total	$ 160,301,696	162,395,492	488,350,663	169,676,856	100,793,204	162,741,176	1,244,259,087	239,012,140	1,483,271,227

(1) Assumed swap rate of 5.901% + 1.30% for the 2026 Term Bond; 5.901% + 1.45% for $166,950,000 of the 2030 Term Bond; 6.354 % (20-year average of 1 month LIBOR + 3.00 %) for $12,365,000 of the 2030 Term Bond.

(2) Issuance of the Series 2013 Refunding Bonds resulted in the refunding of the Series 2004C-3 Bonds on July 10, 2014.

COUNTY OF SACRAMENTO
Variable Rate Debt/Interest Rate Swap

Issue	2008 Refunding POBs (2004C-1)
Type of Underlying Obligation	Floating Rate Notes 1-mo LIBOR+130 BPS $156,750,000; 1-mo LIBOR+145 BPS $179,315,000
Bond Amount Outstanding as of July 1, 2019	$321,315,000
Insurer	FSA
Swap Counterparty	Merrill Lynch
Swap Notional Amount	$308,950,000
Payment Terms	County pays 5.901%; Counterparty pays 100% 1-mo LIBOR
Est. Valuation (includes accrued interest)	Negative ($82,567,495.60)
County Credit Rating Risk (threshold for termination event for swap agreement)	County must maintain two of three minimum ratings set forth below with respect to at least one issue of POBs or COPS: rated at or above Baa2 (Moody's), BBB (S&P) or BBB (Fitch)

COUNTY OF SACRAMENTO

Department of Airports Annual Report (Airport Enterprise Fund)

In accordance with the requirements of the Continuing Disclosure Certificates for the County of Sacramento Airport System Senior Revenue Bonds, Series 2008, 2009 and 2010, the Airport System Senior Revenue Refunding Bonds, Series 2016A and 2018 ABC, the Airport System Subordinate and PFC/Grant Revenue Bonds, Series 2008 and 2009 and the Airport System Subordinate Revenue Refunding Bonds, Series 2016B and 2018DEF, (collectively, the "Certificate"), the Sacramento County Department of Airports is including this section to meet the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5)(the Rule).

Beginning with the Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2007-2008, and each CAFR thereafter, the Bond Disclosure Section provides the required information consistent with Section 4 of the Certificate. The CAFR is filed with each National and State Repository specified in the Rule, and with any other repository that shall be identified in the future.

ANNUAL REPORT

The following items are required by the Certificate to be included in the Annual Report:

(A) The audited financial statements of the Department of Airports for the most recently completed 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. Refer to the Financial Section, pages 33 through 39 of this report.

(B) An annual updating, to reflect results of the most recently completed fiscal year, of the following tables:

1. Historical Enplaned Passengers – Exhibit 1
2. Historical Aircraft Landed Weight – Exhibit 2
3. Airlines' Market Shares of Enplaned Passengers – Exhibit 3
4. Statement of Revenues, Expenses and Changes in Net Position – Exhibit 4
5. Airline and Nonairline Revenues – Exhibit 5
6. Summary of Historical Revenues, Expenses and Debt Service Coverage – Exhibit 6

REPORTING OF MATERIAL EVENTS

There is no knowledge on the part of the County of any impending material events that would require disclosure under the provisions of the Certificate.

COUNTY OF SACRAMENTO
Historical Enplaned Passengers - Last 10 Years
Fiscal Year ended June 30
Exhibit 1

Enplanements	2010 [2]	2011 [2]	2012 [2]	2013 [2]	2014 [2]	2015	2016	2017	2018	2019
Major and other airlines [1]	4,319,759	4,223,908	4,203,561	4,117,949	4,061,686	4,306,807	4,483,792	4,713,231	5,175,936	5,701,245
Regional airlines	230,150	255,833	276,442	301,596	314,551	321,790	459,393	484,953	585,650	597,202
Total	4,549,909	4,479,741	4,480,003	4,419,545	4,376,237	4,628,597	4,943,185	5,198,184	5,761,586	6,298,447
Percent change from prior year	(3.29)%	(1.54)%	0.01 %	(1.35)%	(0.98)%	5.77 %	6.80 %	5.16 %	10.84 %	9.32 %

Source: Department of Airports statistics reports.

[1] Major airlines are defined for this analysis as scheduled airlines operating aircraft with 60 or more seats; other airlines are nonscheduled.

[2] Fiscal year 2010-2014 figures have been revised.

COUNTY OF SACRAMENTO
Historical Aircraft Landed Weight - Last 10 Years
Fiscal Year Ended June 30
Exhibit 2
(in 1,000 lb. units)

	2010 [2]	2011 [2]	2012 [2]	2013 [2]	2014	2015	2016	2017	2018	2019
Passenger airlines										
Major and other airlines [1]	5,449,118	5,077,482	5,047,200	4,799,438	4,693,297	4,782,686	4,890,000	5,182,816	5,731,091	6,243,996
Regional airlines	476,023	285,754	245,872	334,097	353,852	350,506	508,376	570,233	674,706	689,413
Subtotal	5,925,141	5,363,236	5,293,072	5,133,535	5,047,149	5,133,192	5,398,376	5,753,049	6,405,797	6,933,409
All cargo airlines	610,385	581,195	613,981	646,113	964,965	651,887	687,612	728,575	1,038,232	1,276,124
Total	6,535,526	5,944,431	5,907,053	5,779,648	6,012,114	5,785,079	6,085,988	6,481,624	7,444,029	8,209,533
Percent change from prior year	(4.92)%	(9.04)%	(0.63)%	(2.16)%	4.02 %	(3.78)%	5.20 %	6.50 %	14.85 %	10.28 %

Source: Department of Airports records.

[1] Major airlines are defined for this analysis as scheduled airlines operating aircraft with 60 or more seats; other airlines are nonscheduled.

[2] Fiscal year 2009-2013 figures have been revised.

COUNTY OF SACRAMENTO
Airlines' Market Shares of Enplaned Passengers - Last 8 Years
Fiscal Year Ended June 30
Exhibit 3

	2012[2]	2013	2014	2015	2016	2017	2018	2019
Percentage of Total Enplanements								
Major Airlines[1]								
Southwest Airlines	50.1 %	52.1 %	52.6 %	53.1 %	51.8 %	51.5 %	53.2 %	53.3 %
United Airlines	6.8	8.3	8.4	7.6	10.1	9.9	9.9	10.7
Delta Air Lines	6.4	6.2	6.5	6.3	11.1	10.6	10.6	10.2
Alaska Airlines	5.7	5.3	5.3	6.2	8.4	8.1	8.1	7.9
US Airways	5.2	5.4	5.5	5.8				
American Airlines	5.3	5.5	5.5	5.3	12.2	13.0	12.0	10.7
Jet Blue Airlines	3.5	3.2	3.0	2.9	2.8	2.9	2.8	2.4
Horizon Airlines	2.7	2.7	2.6	2.3				
Hawaiian Airlines	2.0	2.0	1.9	1.8	1.7	1.7	1.5	1.5
Frontier Airlines	2.8	1.5						0.8
Aeromexico	0.6	0.7	0.8	1.0	1.1	1.3	1.0	0.9
Air Canada								0.3
Spirit								0.1
Sun Country								0.1
Contour								0.1
Volaris Airlines		0.3	0.6	0.8	0.8	1.0	0.9	1.0
Republic Airlines			0.1					
Continental Airlines	2.7							
Regional Airlines[3]								
Skywest	6.1	6.8	7.2	6.1				
Mesa/Delta Connection				0.8				
Express Jet	0.1							
Subtotal	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Department of Airports statistics reports.

1 Defined for this analysis as scheduled airlines operating with 60 or more seats.
2 Fiscal Year 2011-12 figures have been revised.
3 Regional Airlines enplanements are included in the Major Airlines enplanements starting FY 2015-16.

COUNTY OF SACRAMENTO
Airlines' Market Shares of Enplaned Passengers - Last 8 Years
Fiscal Year Ended June 30
Exhibit 3

	2012[2]	2013	2014	2015	2016	2017	2018	2019
Ranking								
Major Airlines [1]								
Southwest Airlines	1	1	1	1	1	1	1	1
American Airlines	6	5	5	7	2	2	2	2
Delta Air Lines	3	4	4	3	3	3	3	4
United Airlines	2	2	2	2	4	4	4	3
Alaska Airlines	5	7	7	4	5	5	5	5
US Airways	7	6	6	6				
Jet Blue Airlines	8	8	8	8	6	6	6	6
Horizon Airlines	10	9	9	9				
Hawaiian Airlines	12	10	10	10	7	7	7	7
Frontier Airlines	9	11						10
Aeromexico	13	12	11	11	8	8	8	9
Air Canada								11
Spririt								12
Sun Country								13
Contour								14
Boutique								15
Volaris Airlines		13	12	12	9	9	9	8
Seaport				13				
Virgin America		14						
Republic Airlines		15						
Continental Airlines	11							
Regional Airlines[3]								
Skywest	4	3	3	5				
Mesa/Delta Connection				12				
Express Jet	14							

Source: Department of Airports statistics reports.

[1] Defined for this analysis as scheduled airlines operating with 60 or more seats.
[2] Fiscal Year 2011-12 figures have been revised.
[3] Regional Airlines enplanements are included in the Major Airlines enplanements starting FY 2015-16.

COUNTY OF SACRAMENTO
Statement of Revenues, Expenses and Changes in Net Position - Last 10 Years
Fiscal Year Ended June 30
Exhibit 4

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating revenue:										
Concessions	$ 63,442,108	63,341,578	66,002,772	68,752,509	69,451,723	73,880,574	78,775,227	82,409,252	90,323,536	99,038,728
Building rents	35,885,350	30,697,623	47,204,495	61,114,151	61,119,198	61,887,092	65,012,503	66,066,673	60,059,320	58,504,461
Airfield charges	26,044,373	20,931,781	23,395,617	21,849,813	25,299,370	19,102,672	21,043,860	23,671,438	27,172,330	27,879,071
Ground leases	2,749,183	1,987,622	1,874,055	1,900,740	1,927,849	1,910,052	2,034,604	2,107,408	3,046,387	3,524,845
Sale of fuel	532,032	653,673	755,877	809,600	854,030	664,423	604,640	461,300	554,321	747,844
Airport services	898,153	920,930	4,136,078	4,819,705	331,277	798,098	1,000,679	949,129	498,253	380,200
Other	165,604	85,366	379,768	146,116	13,902	196,451	72,246	84,267	6,391	(4,148,559)
Total operating revenue	129,716,803	118,618,573	143,748,662	159,392,634	158,997,349	158,439,362	168,543,759	175,749,467	181,660,538	185,926,590
Operating expense:										
Salaries and benefits	33,084,803	35,989,114	37,081,912	36,149,138	30,302,735	27,021,772	26,842,856	30,372,684	33,422,424	34,463,798
Services and supplies	48,995,957	46,369,353	58,008,301	57,088,926	54,044,934	51,885,789	58,110,395	57,602,169	64,470,461	68,725,697
Cost of goods sold	431,389	542,657	628,838	641,268	648,940	509,938	431,554	361,608	499,671	680,942
Depreciation	26,928,736	29,750,690	43,847,407	51,673,862	54,204,762	53,531,817	50,565,547	52,011,580	52,013,372	52,647,894
Other	872,816	983,348	10,630	238,992	413,110	229,703	480,259	574,703	218,429	51,266
Total operating expense	110,313,701	113,635,162	139,577,088	145,792,186	139,614,481	133,179,019	136,430,611	140,922,744	150,624,357	156,569,597
Operating income (loss):	19,403,102	4,983,411	4,171,574	13,600,448	19,382,868	25,260,343	32,113,148	34,826,723	31,036,181	29,356,993
Nonoperating revenue (expense):										
Interest income	1,886,860	411,537	915,635	1,836,288	813,327	(54,853)	2,000,910	1,915,111	3,222,805	8,479,767
Passenger facility charges revenue	19,618,136	18,348,304	18,022,076	17,604,328	17,160,771	18,514,213	19,285,187	20,544,539	22,782,880	25,587,275
Customer facility charges revenue										1,269,420
Intergovernmental revenue	954,695	622,320	1,637,600	1,578,104	838,145	467,561	867,632	404,582	1,695,305	595,695
Gain (loss) on disposal of assets	(65,452)	10,020	(77,140)	44,886	(62,967)	141,167	(29,493)	260,372	369,892	(212,510)
Other nonoperating revenue (expense)	237,958	1,291,437	42,425	176,702	(32,690)	208,536	299,019	149,481	139,045	153,682
Amortization of bond issuance cost[1]	(700,471)	(744,688)	(750,981)	(703,026)	(405,146)	(405,146)	(405,146)	(388,175)	(313,653)	(25,902)
Interest expense	(17,105,647)	(15,473,662)	(26,906,214)	(59,286,319)	(58,323,780)	(57,381,887)	(56,140,352)	(53,042,527)	(49,551,243)	(39,402,511)
Net nonoperating revenue (expense)	4,826,079	4,465,268	(7,116,599)	(38,749,037)	(40,012,340)	(38,510,409)	(34,122,243)	(30,156,617)	(21,654,969)	(3,555,084)

COUNTY OF SACRAMENTO
Statement of Revenues, Expenses and Changes in Net Position - Last 10 Years
Fiscal Year Ended June 30
Exhibit 4

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Income (loss) before capital contributions and transfers	24,229,181	9,448,679	(2,945,025)	(25,148,589)	(20,629,472)	(13,250,066)	(2,009,095)	4,670,106	9,381,212	25,801,909
Capital contributions	7,361,129	14,556,307	14,392,953	54,969,536	9,421,605	11,456,573	11,368,943	15,534,748	3,279,101	11,421,118
Transfer out[2]					(2,711,985)	(2,765,151)	(2,231,084)	(2,406,265)	(2,484,035)	(2,552,322)
Changes in net position	31,590,310	24,004,986	11,447,928	29,820,947	(13,919,852)	(4,558,644)	7,128,764	17,798,589	10,176,278	34,670,705
Total net position, beginning of year[3]	502,077,255	533,667,565	557,672,551	569,120,479	591,684,369	553,291,895	548,733,251	555,862,015	571,733,735	581,910,013
Total net position, end of year	$ 533,667,565	557,672,551	569,120,479	598,941,426	577,764,517	548,733,251	555,862,015	573,660,604	581,910,013	616,580,718

[1] Starting with FY 2014, the amortization of bond issuance cost includes only the amortized bond prepaid insurance.

[2] Transfer Out - Pension Obligation Bond allocated to the Department of Airports starting with fiscal year 2014.

[3] The beginning net positions for FY 2015 and 2018 have been restated to reflect the implementation of GASB Statement No. 68 and GASB Statement No. 75, respectively.

COUNTY OF SACRAMENTO
Airline and Nonairline Revenues - Last 7 Years
Fiscal Years Ended June 30
Exhibit 5

	2013	2014	2015	2016	2017	2018 [3]	2019
Airline Revenue							
Terminal building rents and fees	$ 49,713,163	49,256,400	49,107,465	51,435,525	52,839,550	44,431,455	52,452,234
Aircraft parking fees	2,868,612	3,219,785	3,380,337	3,265,090	3,416,495	2,479,673	2,374,015
Loading bridge fees	2,300,004	2,330,794	2,600,865	3,387,186	2,922,392	1,673,891	1,580,825
Landing fees [1]	21,723,306	25,144,577	18,921,694	20,811,054	23,677,390	26,790,520	26,843,659
Airlines revenue sharing						(4,163,064)	(10,660,522)
Airport services	3,838,646						
Total Airline revenue	$ 80,443,731	79,951,556	74,010,361	78,898,855	82,855,827	71,212,475	72,590,211
Less cargo revenues	2,597,221	2,976,264	2,282,552	2,541,996	2,966,959	4,321,249	5,263,448
Passenger airline operating revenues	77,846,510	76,975,292	71,727,809	76,356,859	79,888,868	66,891,226	67,326,763
Enplaned passengers	4,419,545	4,376,237	4,628,597	4,943,185	5,198,184	5,761,586	6,298,570
Cost per Enplaned Passenger (CPE)	17.61	17.59	15.50	15.45	15.37	11.61	10.69
Nonairline Revenue							
Airfield area							
Commercial fees	23,290	43,918	28,498	29,320			
Other landing fees	9,071	20,586	8,780	61,668	56,359		
Fuel sales	1,007,915	1,058,430	902,546	877,125	737,132	1,060,702	1,489,918
Subtotal	1,040,276	1,122,934	939,824	968,113	793,491	1,060,702	1,489,918
Terminal building							
Food/beverage	3,399,419	3,633,335	3,645,630	4,156,648	4,662,410	4,873,267	5,655,423
Merchandise	2,037,097	1,827,309	2,010,780	2,203,245	2,323,964	2,372,005	2,483,578
Advertising	795,077	885,923	861,913	850,159	813,827	724,537	724,409
Telephones	290,575	448,777	450,062	380,803	394,664	409,439	404,196
Vending	350,401	380,335	397,273	407,224	445,267	434,162	327,444
Other terminal rents	1,325,656	1,285,975	1,396,835	1,389,435	1,422,993	2,016,294	1,759,039
Subtotal	8,198,225	8,461,654	8,762,493	9,387,514	10,063,125	10,829,704	11,354,089
Parking	48,106,292	48,411,994	52,530,925	55,438,637	57,052,230	61,446,320	66,700,985

COUNTY OF SACRAMENTO
Airline and Nonairline Revenues - Last 7 Years
Fiscal Years Ended June 30
Exhibit 5

	2013	2014	2015	2016	2017	2018 [3]	2019
Other areas							
Autorentals	10,113,145	10,232,136	10,361,106	11,295,361	11,841,060	12,882,207	14,161,083
Autorental shuttle bus fees	3,081,002	2,969,309	2,913,934	3,073,675	3,577,686	4,420,013	4,667,613
Taxi/TNC	565,921	647,788	693,316	954,025	1,293,349	2,364,656	3,491,081
Tiedown and hangars	715,789	720,101	718,237	715,793	734,240	716,462	746,577
FBO rentals	96,960	103,826	91,461	91,461	92,460	92,334	92,334
Aviation ground leases	1,702,425	1,723,450	1,671,929	1,762,119	1,831,576	2,540,006	2,782,772
Other rentals/miscellaneous	4,179,735	4,284,393	4,683,211	4,817,517	4,705,159	3,931,754	4,186,758
Subtotal	20,454,977	20,681,002	21,133,194	22,709,951	24,075,530	26,947,432	30,128,218
Other revenue							
Service fees	981,059	331,277	798,098	1,000,679	949,129	498,253	380,200
Miscellaneous revenue	1,922,882	842,386	928,924	1,006,661	514,198	1,728,539	829,399
Subtotal	2,903,941	1,173,663	1,727,022	2,007,340	1,463,327	2,226,792	1,209,599
Total Non Airline Revenue	80,703,710	79,851,247	85,093,458	90,511,555	93,447,703	102,510,950	110,882,809
Interest income [2]	1,787,484	786,576	(187,198)	1,440,381	1,805,024	3,882,123	7,159,293
Total Non Airline Revenue	$ 82,491,194	80,637,823	84,906,260	91,951,936	95,252,727	106,393,073	118,042,102

Source: Airports financial statements.

[1] Landing fee for FY 2014-15 have been revised to include charters and commuters.
[2] As defined in the Bond Indenture.
[3] The airline revenues for FY 2018 have been revised to include the airline rates and charges settlement and revenue sharing.

COUNTY OF SACRAMENTO
Summary of Historical Revenue, Expenses and Debt Service Coverage - Last 10 Years
Fiscal Years Ended June 30
Exhibit 6

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Rate Covenant per Section 6.04 (b)(i)										
Revenues [1]	$ 132,007,161	128,179,835	146,057,155	162,934,925	160,589,380	158,928,261	171,150,791	178,108,554	187,410,070	193,835,260
Operating expenses[2]	(83,384,965)	(83,884,472)	(95,729,680)	(94,118,325)	(88,121,704)	(82,412,353)	(88,096,148)	(91,317,429)	(101,128,080)	(106,474,025)
Net revenues	48,622,196	44,295,363	50,327,475	68,816,600	72,467,676	76,515,908	83,054,643	86,791,125	86,281,990	87,361,235
Transfer (limited to 25%)	4,301,661	4,321,838	8,995,140	13,031,769	12,357,018	13,391,226	13,390,638	13,338,831	9,800,819	10,972,283
Net revenues + Transfer	$ 52,923,857	48,617,201	59,322,615	81,848,369	84,824,694	89,907,134	96,445,281	100,129,956	96,082,809	98,333,518
Accrued debt service on senior obligations[3]	$ 17,206,645	17,287,350	35,980,560	52,127,074	49,428,071	53,564,902	53,562,551	53,355,325	39,203,276	43,889,132
Debt service coverage (>1.25)	3.08	2.81	1.65	1.57	1.72	1.68	1.80	1.88	2.45	2.24
Rate Covenant per Section 6.04 (b)(ii)										
Net revenues	$ 48,622,196	44,295,363	50,327,475	68,816,600	72,467,676	76,515,908	83,054,643	86,791,125	86,281,990	87,361,235
Transfer (limited to 10%)	1,720,665	1,728,735	3,598,056	5,212,707	4,942,807	5,356,490	5,356,255	5,335,533	3,920,328	4,388,913
Net revenues + Transfers	$ 50,342,861	46,024,098	53,925,531	74,029,307	77,410,483	81,872,398	88,410,898	92,126,658	90,202,318	91,750,148
Accrued debt service on senior obligations	$ 17,206,645	17,287,350	35,980,560	52,127,074	49,428,071	53,564,902	53,562,551	53,355,325	39,203,276	43,889,132
Debt service on subordinate obligations	30,130,833	31,129,931	30,112,081	30,159,794	30,211,816	30,271,621	21,944,846	20,832,404	13,494,431	16,145,064
Less: PFC Revenues	(20,448,833)	(22,005,931)	(21,941,081)	(21,939,794)	(21,940,816)	(21,942,737)	(21,944,846)	(20,832,404)	(13,494,431)	(16,145,064)
Less: Available Grant Revenues	(9,862,000)	(9,124,000)	(8,171,000)	(8,220,000)	(8,271,000)	(8,328,884)				
Accrued debt service on sr. & sub. obligations	$ 17,026,645	17,287,350	35,980,560	52,127,074	49,428,071	53,564,902	53,562,551	53,355,325	39,203,276	43,889,132
Debt Service Coverage (>1.10)	2.93	2.66	1.50	1.42	1.57	1.53	1.65	1.73	2.30	2.09

Note: The information presented in the above table reflects the definitions, conventions and debt service coverage calculation methodology set forth in the Master Indenture of Trust, approved by the Board of Supervisors and dated May 1, 2008, and under the terms of supplemental indentures.

[1] Per Bond Indenture, Revenues include the Department's revenues excluding certain interest earnings and restricted revenues.

[2] Per Bond Indenture, Operating Expenses include the Department's operating expenses and other non-operating expenses. Operating Expenses exclude depreciation, amortization and debt service.

[3] The Accrued Debt Service includes the principal payment due on July 1st of the following fiscal year.

Annual Report for the Sacramento County
Water Agency Enterprise Fund
For the Fiscal Year Ended June 30, 2015 through 2019

On April 8, 2003, the Agency entered into a Joint Exercise of Powers Agreement with Sacramento County to form the Sacramento County Water Agency Financing Authority (the Authority) for the purpose of facilitating the financing of acquisition and/or construction of real and personal property in and for the Agency. The Board of Directors of the Agency serves as the Authority's governing board. For financial reporting purposes, the Master Installment Purchase Contract between the Agency and the Authority has been eliminated.

The Authority is not a blended component unit of the Agency Enterprise Fund, but it is a blended component unit of the Sacramento County Water Agency. However, all balances and transactions of the Authority are presented as part of the Agency Enterprise Fund's financial statements.

This section is provided in accordance with the requirements of the Continuing Disclosure Certificate (the Certificate) for the Sacramento County Water Financing Authority Revenue Bonds Series 2007A and Series 2007B. The material provided under the Certificate is intended to meet or exceed the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5) (the Rule). The data tables provided herein apply to both 2007 issues.

This Bond Disclosure Section included within the County of Sacramento's Comprehensive Annual Financial Report (CAFR) provides the information required by the Continuing Disclosure Certificate. The CAFR, in turn, will be filed with each National Repository specified in the Rule, and with any other repository that shall be identified in the future.

ANNUAL REPORT

As required by the Certificate, this annual report is incorporated into this CAFR and thus, includes by reference, the audited financial statements of the Agency. Refer to page 33 of this CAFR.

The annual report also contains the following five (5) sections as required in the Certificate:

(1) Approximate number of connections to which the Agency delivered water
(2) Zone 40 Monthly Service Fee generally imposed on customers
(3) Zone 41 Monthly Service Fee generally imposed on customers
(4) Zone 40 Impact Fees
(5) Information contained in “Summary of Projected Operating Results” table on page 42 of the 2007 Bonds Official Statement

REPORTING OF SIGNIFICANT EVENTS

As of June 30, 2019, there is no knowledge on the part of the Board of Directors, officers, or employees of Sacramento County Water Agency of any impending significant event that would require disclosure under the provisions of the Certificate.

Annual Report for the Sacramento County
Water Agency Enterprise Fund
For the Fiscal Year Ended June 30, 2015 through 2019

ADDITIONAL INFORMATION

The Certificate requires that the following information be updated annually:

Section 4(b)(i) A table indicating the approximate number of connections to which the Agency delivered water.

Fiscal Year:	2014-15	2015-16	2016-17	2017-18	2018-19
Number of connections	52,400	53,439	54,464	55,178	56,137
Annual Percent Increase	1.4 %	2.0 %	1.9 %	1.3 %	1.7 %

Section 4(b)(ii) Zone 40 Monthly Service Fee generally imposed on customers.

Fiscal Year:	2014-15	2015-16	2016-17	2017-18	2018-19
Monthly Rate:	$ 28.80	28.80	28.80	28.80	28.80

Section 4(b)(iii) Zone 41 Monthly Service Fee generally imposed on customers.

Fiscal Year:	2014-15	2015-16	2016-17	2017-18	2018-19
Monthly Rate:	$ 39.99	42.39	44.54	44.54	46.22

Section 4(b)(iv) Zone 40 Impact Fees

Effective Date (Month-Yr)	Mar-15	Mar-16	Mar-16	Mar-18	Mar-19
Development Fee (per EDU)	$ 14,955	15,380	16,104	16,651	16,962
(Domestic, Commercial, Other Service)					
Annual increase	7 %	3 %	5 %	3 %	2 %
Commercial Service (per acre)	$ 8,521	8,763	9,175	9,486	9,663
Annual increase	0 %	3 %	5 %	3 %	2 %
Other Service (per acre)	$ 1,651	1,698	1,778	1,838	1,872
Annual increase	0 %	3 %	5 %	3 %	2 %

Section 4(b)(iv) Zone 41 Connection Fees

Effective Date (Month-Yr)	Mar-15	Mar-16	Mar-16	Mar-18	Mar-19
Connection Fee (per EDU)	$ 376	376	376	376	376

Annual Report for the Sacramento County
Water Agency Enterprise Fund
For the Fiscal Year Ended June 30, 2015 through 2019

Section 4(b)(v) Summary of Historical and Projected Operating Results

Revenues, Maintenance and Operations Costs, Net Revenue (as these three terms are defined in the Installment Purchase Contract) and Reserve Balances of the Agency
For the Fiscal Years Ended June 30
(amounts expressed in thousands)

	2016-17	2017-18	2018-19
Revenues:			
Operating revenues			
Water service charges	$ 46,703	49,703	50,257
Charges for services	2,508	2,283	2,390
Development fees	13,762	26,149	29,204
Connection fees	254	734	502
Other	1,338	1,563	2,383
Total net operating revenues	64,565	80,432	84,736
Nonoperating revenues			
Total interest income (excludes fair value adjustments)	1,798	1,928	2,688
Less: interest earnings on reserves	(1,204)	(1,188)	(1,204)
Net interest income	594	740	1,484
Total revenues	65,159	81,172	86,220
Adjusted annual revenues[1]	65,159	81,172	86,220
Maintenance & operating expenses (excludes depreciation and includes non-bond related interest expense)	27,813	27,169	27,521
Net revenues	37,346	54,003	58,699
Impact fee credits	(2,117)	(3,494)	(3,561)
Net revenue less impact fee credits	35,229	50,509	55,138
Debt service			
Debt service on 2007 bonds	25,669	25,681	25,712
Less int earnings on reserve	(1,204)	(1,188)	(1,204)
Adjusted annual debt service	24,465	24,493	24,508
Debt service coverage (1)	1.53	2.20	2.40
Debt service coverage net of impact fee credits	1.44	2.06	2.25
Pay-as-you-go capital	10,390	6,653	17,155
Net cash flow of year's operations	$ 375	19,363	13,475
Reserves end of year	$ 44,167	55,498	65,648
Bond reserve account end of year	$ 25,713	25,713	25,713

1 - Calculated in accordance with the Master Installment Purchase Contact

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2019

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APPENDIX C

SUMMARY OF THE INDENTURE

General

The following is a summary of certain provisions of the Master Indenture and the Tenth Supplemental Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Master Indenture and the Tenth Supplemental Indenture. All capitalized terms not defined in this summary or elsewhere in the Official Statement have the meaning set forth in the Indenture.

CERTAIN DEFINITIONS

"Account" means an account, including subaccounts, in any of the Funds established and maintained under the Indenture.

"Accountant's Certificate" means a certificate signed by an Independent Certified Public Accountant.

"Accreted Value" means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date to such date, compounded at the interest rate with respect to such Capital Appreciation Obligation specified in or determined pursuant to the Supplemental Indenture or Issuing Instrument relating to such Capital Appreciation Obligation, on each compounding date specified in such Supplemental Indenture or Issuing Instrument. The applicable Accreted Value at any date shall be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, shall be determined by straight-line interpolation with reference to such Accreted Value Table.

"Accreted Value Table" means, with respect to Capital Appreciation Obligations, the table denominated as such in, and to which reference is made in, the Supplemental Indenture or Issuing Instrument relating to such Capital Appreciation Obligations.

"Accrued Debt Service" means, for any period of time and with respect to any Outstanding Obligations, the amount of Debt Service on such Obligations accrued and to accrue during such period, modified as follows:

(a) interest on any Variable Rate Obligation for any portion of such period of time during which the rate has not been established shall be calculated at the maximum rate of interest payable with respect to such Variable Rate Obligation;

(b) interest payable from Capitalized Interest shall be excluded from the calculation;

(c) Debt Service paid from Available Revenues or moneys other than Revenues, including any investment earnings thereon, shall be excluded from the calculation and Debt Service to be paid from Available Revenues or money other than Revenues, including any investment earnings thereon, deposited with the Trustee or another Fiduciary exclusively for such purpose shall be excluded from the calculation;

(d) payments of interest due on any Interest Payment Date for an Obligation shall be deemed to accrue daily in equal amounts from the date of the preceding Interest Payment Date for such Obligation or, with respect to the initial Interest Payment Date for an Obligation, from the dated date of such Obligation; and

(e) payments of maturing principal and Sinking Fund Installments shall be deemed to accrue daily in equal amounts from the date which is one year prior to the due date of such maturing principal and Sinking Fund Installments.

"Act" means Chapter 14 of Part 2 of Division 2 of Title 3 of the Government Code of the State of California (Sections 26301 et seq.), and all laws amendatory thereof or supplemental thereto.

"Additional Bonds" means Additional Senior Bonds, Additional Subordinate Bonds or Additional Junior Subordinate Bonds, as applicable.

"Additional Junior Subordinate Bonds" means Junior Subordinate Bonds issued for the purpose described under the caption "THE MASTER INDENTURE – Authorization and Issuance of Bonds and Obligations – Additional Bonds" below and satisfying the conditions of the Master Indenture relating to the issuance of Junior Subordinate Obligations.

"Additional Senior Bonds" means Senior Bonds, other than the Series 2008 Senior Bonds, issued for the purpose described under the caption "THE MASTER INDENTURE – Authorization and Issuance of Bonds and Obligations – Additional Bonds" below and satisfying the conditions of the Master Indenture relating to the issuance of Senior Obligations.

"Additional Senior Obligations" means Senior Obligations, including Additional Senior Bonds that satisfy the conditions of the Master Indenture relating to the issuance of Senior Obligations.

"Additional Subordinate Bonds" means Subordinate Bonds, other than the Series 2008 Subordinate Bonds, issued for the purpose described under the caption "THE MASTER INDENTURE – Authorization and Issuance of Bonds and Obligations – Additional Bonds" below and satisfying the conditions of the Master Indenture relating to the issuance of Subordinate Obligations.

"Additional Subordinate Obligations" means Subordinate Obligations, including Additional Subordinate Bonds, that satisfy the conditions of the Master Indenture relating to the issuance of Subordinate Obligations.

"Advance Refunded Municipal Securities" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state: (a) which are rated "AAA" by S&P and Fitch (if rated by Fitch) or "Aaa" by Moody's; (b) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee, fiscal agent or other fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds or other obligations for redemption on the date or dates specified in such instructions; (c) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) or (b) of the definition of "Permitted Investments" which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in clause (b) above, as appropriate; and (d) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) or (b) of the definition of "Permitted Investments" which have been deposited in such fund, along with any cash on deposit in such fund, have been verified by an Independent Certified Public Accountant as evidenced by an Accountant's Certificate as being sufficient, without reinvestment, to pay principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (b) above, as applicable.

"Aggregate Adjusted Annual Debt Service" means, with respect to any 12 month period of time, the aggregate amount of Accrued Debt Service on any Outstanding Obligations for such period modified, notwithstanding anything to the contrary contained in the definition of "Accrued Debt Service," as follows:

(a) In determining the amount of principal payable in any 12 month period of time, payment shall (unless a different paragraph of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Obligations in accordance with the maturity schedule or amortization schedule (including mandatory redemption from Sinking Fund Installments) established by the Supplemental Indenture or Issuing Instrument for such Obligations, including, as a principal payment, the Accreted Value of any Capital Appreciation Obligations maturing or scheduled for redemption in such year. In determining the amount of interest payable in any 12 month period of time, interest payable at a fixed rate shall (except to the extent paragraph (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required Interest Payment Dates.

(b) If all or any portion or portions of Outstanding Obligations constitute Balloon Obligations, then, for purposes of determining Aggregate Adjusted Annual Debt Service, each maturity which constitutes Balloon Obligations shall, at the option of the County, unless otherwise provided in the Supplemental Indenture or Issuing Instrument for such Balloon Obligations or unless paragraph (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a period of 20 years (or until the final maturity of such Balloon Obligations, if greater than 20 years) and with substantially level annual debt service payments at an interest rate equal to the rate borne by the Balloon Obligations commencing not later than the year following the year in which such Balloon Obligations was issued.

(c) Any maturity of Obligations which constitutes Balloon Obligations for which the stated maturity date occurs within 12 months from the date the calculation of Aggregate Adjusted Annual Debt Service is made, shall be assumed to become due and payable on the stated maturity date and paragraph (b) above shall not apply thereto unless the County has received a letter evidencing a binding commitment of an institutional lender or municipal underwriting firm to provide financing to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Airport System is sufficient to successfully complete such refinancing; upon the receipt of such letter, such Balloon Obligations shall be assumed to be refinanced in accordance with the probable terms set out in such commitment and such terms shall be used for purposes of calculating Aggregate Adjusted Annual Debt Service.

(d) If any Outstanding Obligations constitute Variable Rate Obligations except to the extent paragraph (g) applies (including payments or receipts under a Swap determined pursuant to a variable rate formula), the interest rate on such Obligations (or the variable rate formula for such payments or receipts under such Swap) for any period as to which such interest rate cannot be determined shall be assumed to be 110% of the daily average interest rate on such Obligations (or under such Swap) during the 12 months ending with the month preceding the month in which the calculation of Aggregate Adjusted Annual Debt Service is made, or such shorter period that such Obligations shall have been Outstanding.

(e) If any Obligations proposed to be issued shall be Variable Rate Obligations which are Tax-Exempt, except to the extent subsection (h) applies (including payments or receipts under a Swap to be determined pursuant to a variable rate formula based on a tax-exempt index), the interest rate on such Obligations (or the variable rate formula for such payments or receipts under such Swap) shall be assumed to be 110% of the average SIFMA Index during the 12 months ending with the month preceding the month in which the calculation of Aggregate Adjusted Annual Debt Service is made, or if that index is no longer published, 75% of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the County.

(f) If any Obligations proposed to be issued shall be Variable Rate Obligations which are not Tax-Exempt, except to the extent subsection (h) applies (including payments or receipts under a Swap to be determined pursuant to a variable rate formula based on the taxable index), the interest rate on such Obligations (or the variable rate formula for such payments or receipts under such Swap) shall be assumed to be 110% of the average One Month USD LIBOR Rate during the 12 months ending with the month preceding the month in which the calculation of Aggregate Adjusted Annual Debt Service is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the County.

(g) If a Qualified Swap has been entered into by the County with respect to any Outstanding Obligations, the interest rate on such Outstanding Obligations for each period during which payments are to be exchanged by the parties under such Qualified Swap shall be determined for purposes of calculating Aggregate Adjusted Annual Debt Service by adding: (1) the amount of Debt Service paid or to be paid by the County as interest on such Outstanding Obligations during such 12 month period or portion thereof (determined as provided in paragraph (d) if such Outstanding Obligations constitute Variable Rate Obligations) and (2) the net amount (which may be a negative amount) paid or to be paid by the County under the Qualified Swap (after giving effect to payments made and received, and to be made and received, by the County under the Qualified Swap) during such period (determined as provided in paragraph (d)), provided that if such Obligations are subject to a Qualified Swap that effectively converts the interest rate to be paid by the County on such Obligations to a fixed rate of interest, the Obligations shall be assumed to bear interest at the fixed rate of interest specified in such Qualified Swap during the stated term of such Qualified Swap.

(h) If a Qualified Swap has been entered into by the County with respect to any Obligations proposed to be issued, which Qualified Swap will be effective at the time the Obligations are issued, the interest on such proposed Obligations for each period during which payments are to be exchanged under the Qualified Swap shall be determined for purposes of calculating Aggregate Adjusted Annual Debt Service by adding: (1) the amount of Debt Service to be paid by the County as interest on such Obligations during such period (determined as provided in paragraph (e) or (f), as applicable, if such Obligations are to constitute Variable Rate Obligations) and (2) the net amount (which may be a negative amount) to be paid by the County under the Qualified Swap (after giving effect to payments to be made and received by the County under the Qualified Swap) during such period (determined as provided in paragraphs (e) and (f), as applicable), provided that if such Obligations are subject to a Qualified Swap that effectively converts the interest rate to be paid by the County on such Obligations to a fixed rate of interest, the Obligations shall be assumed to bear interest at the fixed rate of interest specified in such Qualified Swap during the stated term of such Qualified Swap.

(i) With respect to any Obligations which are part of a Commercial Paper Program, it shall be assumed that the Outstanding amount of such Commercial Paper Program will be amortized over a term certified by an Authorized County Representative as the expected duration of such Commercial Paper Program at the time the initial Obligations of such Commercial Paper Program are issued or, if such expectations have changed, over a term certified by an Authorized County Representative to be the expected duration of such Commercial Paper Program at the time the calculation of Aggregate Adjusted Annual Debt Service is made, but not to exceed 30 years from the date the initial Obligations of such Commercial Paper Program are issued and it shall be assumed that Debt Service with respect to such Commercial Paper Program shall be paid in substantially level annual debt service payments over such assumed term; the interest rate used for such computation shall be a rate equal to the average rate for such Obligations during the preceding 12 month period or, if the Obligations have not been Outstanding for a 12 month period, the period since the issuance of such Obligations or, if the Obligations under the Commercial Paper Program are Obligations proposed to be issued, as provided in paragraph (e) or (f) of this definition, as applicable.

(j) Reimbursement Obligations shall be included in the calculation of Aggregate Adjusted Annual Debt Service to the extent of amounts due during such 12 month period on the related Credit Support

Instrument and only to the extent not otherwise included in Aggregate Adjusted Annual Debt Service and not otherwise paid as Operating Expenses. Interest on such Reimbursement Obligations shall be calculated at the rate in effect on the date the calculation of Aggregate Adjusted Annual Debt Service is made. Reimbursement of amounts drawn shall be treated as principal and payable as provided in the related Credit Support Agreement.

(k) If moneys or Permitted Investments have been irrevocably deposited with and are held by the Trustee or another Fiduciary or Capitalized Interest has been set aside exclusively to be used to pay Debt Service on specified Obligations, then the Debt Service to be paid from such moneys, Permitted Investments, or Capitalized Interest or from the earnings thereon shall be disregarded and not included in calculating Aggregate Adjusted Annual Debt Service.

(l) The Purchase Price of Tender Obligations shall not be included in the calculation of Aggregate Adjusted Annual Debt Service unless, at the time of calculation of Aggregate Adjusted Annual Debt Service, the Obligations have been tendered or deemed tendered for purchase in accordance with the applicable Supplemental Indenture or Issuing Instrument and the Purchase Price is not payable from amounts available under a Credit Support Instrument.

(m) If Available Revenues or moneys other than Revenues have been irrevocably committed pursuant to a Supplemental Indenture or Issuing Instrument for the purpose of paying Debt Service on specified Obligations, then the Debt Service to be paid from such amounts, including any investment earnings thereon, shall be disregarded and not included in calculating Aggregate Adjusted Annual Debt Service.

"Airport Consultant" means any independent consultant or firm of independent consultants of national reputation in matters relating to the planning, acquisition, construction, maintenance, operation and financing of airports comparable to the airports included in the Airport System, appointed and paid by the County, and who, or each of whom (a) is in fact independent and not under the domination of the County; (b) does not have a substantial financial interest, direct or indirect, in the operations of the County; and (c) is not connected with the County as a supervisor, officer or employee of the County, but who may be regularly retained to make management reports to the County.

"Airport System" means the whole and each and every part of the existing airport system of the County, including the Sacramento International Airport, Mather Airport, Executive Airport and Franklin Field and any other airport or aviation facility owned or operated by the County and designated by the County to be part of the Airport System, including runways, taxiways, landing pads, aprons, ramps, beacon sites, obstruction lights, navigational and landing aids, control towers, facilities for storage of aircraft and for parking of automobiles, roadways, passenger and freight terminals, land, easements and rights in land for clear zone and approach purposes, maintenance hangars and related facilities and all equipment, buildings, grounds, facilities, utilities and structures owned, leased or operated in connection with or for the promotion or the accommodation of air commerce and air navigation and services in connection therewith, together with all additions, betterments, extensions, replacements, renewals and improvements thereto which may hereafter be undertaken; provided, however, that the term does not include a Special Facility so long as Special Facility Obligations are Outstanding with respect to such Special Facility.

"Annual Budget" means the annual budget, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in the Master Indenture.

"Authorized Airport Representative" means the Director of Airports or the Chief Administrative Officer of the Airport System and any other Person who is duly authorized to act as an Authorized Airport Representative for purposes of the Master Indenture or an Issuing Instrument by the Board.

"Authorized County Representative" means the Director of Finance of the County and any other Person who is duly authorized to act as an Authorized County Representative for purposes of the Master Indenture or an Issuing Instrument.

"Authorized Denominations" means, with respect to the Bonds of any Series, the denomination or denominations designated as such in the Supplemental Indenture authorizing such Bonds.

"Available CFC Account" has the meaning set forth under the heading "THE MASTER INDENTURE – Establishment and Application of Funds – Available Revenues" below.

"Available CFC Revenues" means, for any period of time, the amount of Customer Facility Charges specified in a Supplemental Indenture pursuant to the Master Indenture.

"Available Grant Account" has the meaning set forth under the heading "THE MASTER INDENTURE – Establishment and Application of Funds – Available Revenues" below.

"Available Grant Revenues" means, for any period of time, the amount of Grant Funds specified in a Supplemental Indenture pursuant to the Master Indenture.

"Available PFC Account" has the meaning under the heading "THE MASTER INDENTURE – Establishment and Application of Funds – Available Revenues" below.

"Available PFC Revenues" means, for any period of time, the amount of Passenger Facility Charges specified in a Supplemental Indenture pursuant to the Master Indenture.

"Available Revenues" means for any period of time, the amount of Available CFC Revenues, Available Grant Revenues and Available PFC Revenues to be received by the County during such period.

"Balloon Obligations" means, with respect to any Series of Obligations not included in a Commercial Paper Program, those Obligations of such Series which mature on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal) and which on the date of original issuance constitute at least 25% of the principal amount of the Obligations of such Series. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the applicable Supplemental Indenture or Issuing Instrument, to be amortized by prepayment or redemption prior to its stated maturity date.

"Beneficial Owner" means, with respect any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

"Board" means the Board of Supervisors of the County or any successor body of the Board of Supervisors.

"Bond" means any of the County of Sacramento Airport System Revenue Bonds authorized pursuant to the Master Indenture and a Supplemental Indenture, whether Senior Bonds, Subordinate Bonds or Junior Subordinate Bonds.

"Bond Counsel" means Orrick, Herrington & Sutcliffe LLP or another attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the County.

"Bond Debt Service" means, for any period of time, the Debt Service on any Outstanding Bonds during such period less the amount of any Subsidy received or expected to be received with respect to or in connection with such Outstanding Bonds during such period of time.

"Bond Register" means the registration books for the ownership of Bonds and other Obligations maintained by (or with respect to Obligation other than Bonds, on behalf of) the Trustee pursuant to the Master Indenture.

"Book-Entry Bonds" means Bonds registered in the name of DTC or any successor Securities Depository for the Bonds, or a nominee thereof, as the registered owner thereof pursuant to the Master Indenture.

"Business Day" means, with respect to each Series of Obligations, unless otherwise provided with respect to a particular Series of Obligations in the Supplemental Indenture or Issuing Instrument relating to such Series, any day of the year other than (a) a Saturday, (b) a Sunday, (c) any day which shall be in Sacramento, California or New York, New York a legal holiday, and (d) any day on which the banks are authorized or required by law or other government action to close in the State of New York or the State or any city in which the Principal Office of the Trustee or any other Fiduciary or any Credit Provider for such Series of Bonds is located.

"Capital Appreciation Obligations" means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations (including, as the context requires, a Convertible Obligation before the applicable Conversion Date).

"Capital Improvement" means, to the extent chargeable to a capital account of the Airport System under Generally Accepted Accounting Principles: (a) any addition, betterment, replacement, renewal, extension, equipping, or improvement of or to the Airport System, including, without limitation, the acquisition of land or any interests therein; and (b) capital costs for the extension, reinforcement, enlargement or other improvement of facilities or property, or the acquisition of interests therein, not included as part of the Airport System, determined by the County to be necessary or convenient in connection with the utilization of the Airport System.

"Capital Improvement Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Capitalized Interest" means the proceeds of Obligations or other moneys deposited with the Trustee, in the case of Bonds, and in the case of other Obligations with a trustee or other fiscal agent for such Obligations, the application of which is limited by the terms of the applicable Supplemental Indenture or Issuing Instrument to the payment of interest on specified Obligations for a specified period.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Master Indenture or an Issuing Instrument shall be deemed to include the applicable United States Treasury Regulations thereunder and also includes all amendments and successor provisions unless the context clearly requires otherwise.

"Commercial Paper Program" means a program of short-term Obligations having the characteristics of commercial paper in that such Obligations have a stated maturity not later than 270 days from their date of issue and that the principal of maturing Obligations of such program are expected to be paid with the proceeds of renewal short-term Obligations except to the extent that the Obligations of such commercial paper program are to be amortized.

"Construction" means, with respect to a Capital Improvement, the planning, designing, acquiring, constructing, installing, furnishing, equipping and financing of such Capital Improvement, placing such Capital Improvement in operation, and obtaining governmental approvals, certificates, permits and licenses with respect to the acquisition, construction, installation, furnishing, equipping and financing of such Capital Improvement and to the operation of such Capital Improvement.

"Construction Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Conversion Date" means the date set forth in the applicable Supplemental Indenture or Issuing Instrument on and after which a Convertible Obligation is deemed a Current Interest Obligation and after which the Owners shall be entitled to current payments of interest on each interest payment date.

"Convertible Obligation" means a Capital Appreciation Obligation which is deemed to be a Current Interest Obligation on and after the applicable Conversion Date.

"Cost" means, with respect to any Capital Improvement, all costs and expenses of the Construction of such Capital Improvement paid or incurred by the County. Payment of Cost shall include the reimbursement to the County for any of the costs included in this definition of Cost paid by the County and not previously reimbursed to the County and which are not to be reimbursed from government grants or other moneys not constituting the proceeds of Obligations.

"Costs of Issuance" means, with respect to any Obligations, all items of expense directly or indirectly payable by or reimbursable to the County and related to the original authorization, execution, sale and delivery of such Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Obligations, the initial costs of any Credit Support Instrument and any Reserve Guaranty, the initial fees and charges (including counsel fees) of any Fiduciary and any Credit Provider, legal fees and charges to the County, fees and expenses of financial advisors to the County, fees and expenses of other consultants and professionals providing services to the County, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of such Obligations and any other cost, charge or fee to the County or required to be paid by the County in connection with the authorization, issuance, sale or original delivery of such Obligations.

"County" means the County of Sacramento, a political subdivision of the State of California duly organized and existing under and by virtue of the laws of the State of California.

"Credit Provider" means any insurance company, bank or other institution which has issued any Credit Support Instrument.

"Credit Support Agreement" means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the County and the applicable Credit Provider providing for, among other things, the reimbursement to the Credit Provider for draws under the applicable Credit Support Instrument, as originally executed or as they may from time to time be supplemented or amended in accordance with the provisions thereof and any applicable Supplemental Indenture or Issuing Instrument. "Credit Support Agreement" also means and includes covenants or agreements of the County contained in a Supplemental Indenture or Issuing Instrument providing for the reimbursement to the Credit Provider for draws under the applicable Credit Support Instrument.

"Credit Support Instrument" means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of the principal or Purchase Price of, or interest on, any Obligations; provided that the term shall not include any Reserve Guaranty.

"Customer Facility Charges" means charges collected by the County pursuant to the authority granted by the Section 1936 of the Civil Code of the State (or any successor statute), as amended and supplemented from time to time, in respect of any component of the Airport System and interest earnings thereon, net of amounts that collecting entities are entitled to retain for collecting, handling and remitting such customer facility charge revenues.

"Current Interest Obligation" means an Obligation (including, as the context requires, a Convertible Obligation on and after the applicable Conversion Date), the interest on which is payable currently on each Interest Payment Date.

"Debt Service" means, for any period of time and with respect to any Outstanding Obligations, the sum of:

(a) the interest payable during such period on the Obligations, assuming that all Serial Obligations are retired as scheduled and that all Term Obligations are redeemed or paid from Sinking Fund Installments as scheduled;

(b) that portion of the principal amount of all Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Serial Obligations;

(c) that portion of the principal amount of all Term Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Obligations;

(d) the amounts payable as Reimbursement Obligations during such period only to the extent not otherwise included in Debt Service and not otherwise paid as Operating Expenses;

(e) the Purchase Price of Tender Obligations payable by the County during such period to the extent that such Tender Obligations have been tendered or deemed tendered for purchase in accordance with the applicable Supplemental Indenture or Issuing Instrument and the Purchase Price is not payable from the proceeds of remarketing or amounts available under a Credit Support Instrument;

(f) the amounts payable by the County on Obligations relating to payments due under any Swap minus any payments payable to the County under any Swap during such period only to the extent not otherwise included in Debt Service; and

(g) the amounts payable on any other Obligations during such period only to the extent not otherwise included in Debt Service.

"Defeasance Securities" means any of the securities described in clause (a), (b) or (n) of the definition of "Permitted Investments."

"Department" means the Sacramento County Airport System or any successor charged with operating the Airport System.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or its successors and assigns. References in the Master Indenture to DTC shall include any Nominee of DTC in whose name any Bond or other Obligation is registered.

“Electronic” means, with respect to notice, notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail, dedicated electronic link or other electronic means of communication capable of producing a written record.

“Escrow Agent” means the Trustee or a bank or trust company organized under the laws of any state of the United States, or a national banking association, in each case satisfying the financial qualifications of a successor Trustee contained in the Master Indenture and appointed by the County to hold in trust moneys set aside for the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof, deemed paid pursuant to the Master Indenture.

“Event of Bankruptcy” means any of the following with respect to any Person: (a) the commencement by such Person of a voluntary case under the United States Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence, or an order for relief being entered in, an involuntary case against such Person under the United States Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such Person shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, conservator, trustee, custodian, liquidator or similar official of such Person or such Person’s assets shall be appointed; (e) an assignment for the benefit of creditors shall be made by such Person; or (f) the entry by such Person into an agreement of composition with its creditors.

“Event of Default” means an event described as such under the heading “THE MASTER INDENTURE – Events of Default; Remedies – Events of Default” below.

“Facilities Construction Credits” means the amounts resulting from an arrangement embodied in a written agreement between the County and another Person pursuant to which the County permits such Person to make a payment or payments to the County which is reduced by the amount owed by the County to such Person under such agreement, resulting in a net payment to the County by such Person. The “Facilities Construction Credit” shall be deemed to be the amount owed by the County under such agreement which is “netted” against the payment of such Person to the County.

“Favorable Opinion of Bond Counsel” means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action shall not, in and of itself, result in the inclusion of interest on the Bonds (or such portion thereof as shall be specified in the applicable provisions of the Master Indenture requiring such an opinion) in gross income for federal income tax purposes and that such action is authorized by or permitted under the terms of the Master Indenture.

“Fiduciary” means the Trustee, any Paying Agents for the Obligations appointed as provided in the Master Indenture and any Escrow Agent, tender agent or other fiscal agent for the Obligations appointed pursuant to a Supplemental Indenture or Issuing Instrument.

“Final Compounded Amount” means the Accreted Value of any Capital Appreciation Obligation on its maturity date (or, as the context requires, the Accreted Value of any Convertible Obligation on its Conversion Date).

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the County.

“Fitch” means Fitch Ratings and any successor entity rating Obligations at the request of the County.

“Fund” means a fund established and maintained under the Master Indenture.

"General Fund" means the fund by that name existing in the treasury of the County created under applicable law.

"Generally Accepted Accounting Principles" means the accounting principles generally accepted in the United States applied on a consistent basis that are applicable to the circumstances as of the date of determination as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned airport applying all statements and interpretations issued by the Governmental Accounting Standards Board and, to the extent adopted by the County from time to time: (a) the statements and pronouncements of the Financial Accounting Standards Board; and (b) the statements and pronouncements of such other entity or entities as may be approved by a significant segment of the accounting profession.

"Grant Funds" means grants to be provided to the County by the United States or the State pursuant to a Letter of Intent in connection with Airport System facilities or projects, and which grants are permitted by the terms thereof to be used for the payment of Obligations.

"Indenture" means the Master Indenture, as supplemented and amended from time to time by Supplemental Indentures.

"Independent Certified Public Accountant" means any firm of certified public accountants selected by the County, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's "Mergent" 5250 77 Center Drive, Suite 150, Charlotte, North Carolina, 28217, Attention: Called Bond Department; the Municipal Securities Rulemaking Board, CDI Pilot, 1640 King Street, Suite 300, Alexandria, Virginia 22314; and S&P "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, as the County may designate in writing to the Trustee.

"Initial Amount" means the Accreted Value of a Capital Appreciation Obligation on its date of issuance.

"Interest Payment Date" means, with respect to a Series of Obligations, each date on which interest on Obligations of such Series is scheduled to be paid as set forth in, or determined in accordance with, the Supplemental Indenture or Issuing Instrument relating to such Series.

"Issuing Instrument" means, with respect to any Obligations other than Bonds (Bonds shall be issued pursuant to a Supplemental Indenture), the indenture, trust agreement, loan agreement, lease, installment purchase agreement, revolving credit agreement, Credit Support Agreement, Swap or other instrument or agreement pursuant to which such Obligations are issued or incurred.

"Junior Agreement" has the meaning described under the heading "THE MASTER INDENTURE – Covenants and Obligations of the County – Creation of Prior Liens" below.

"Junior Holder" has the meaning described under the heading "THE MASTER INDENTURE – Covenants and Obligations of the County – Creation of Prior Liens" below.

"Junior Obligation" has the meaning described under the heading "THE MASTER INDENTURE – Covenants and Obligations of the County – Creation of Prior Liens" below.

"Junior Subordinate Bonds" means Bonds issued for the purpose set forth in the Master Indenture and satisfying the conditions of the Master Indenture relating to the issuance of Junior Subordinate Obligations, which are subordinated as set forth in the provisions of the Master Indenture relating to the issuance of Junior Subordinate Obligations.

"Junior Subordinate Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Junior Subordinate Obligations" means any Junior Subordinate Bonds and any Obligations (or portions thereof) which are subordinated as set forth in the provisions of the Master Indenture relating to the issuance of Junior Subordinate Obligations and that satisfy the conditions of the Master Indenture relating to the issuance of Junior Subordinate Obligations, including without limitation any Termination Payments under Qualified Swaps for Subordinate Bonds, Reimbursement Obligations related to Junior Subordinate Bonds and Net Payments and Termination Payments under Swaps related to Junior Subordinate Bonds.

"Junior Subordinate Payment Default" means a failure to pay when due any Junior Subordinate Obligations.

"Letter of Intent" means a written commitment to make grant payments to the County (which commitment may be subject to appropriations) from the United States of America or any department or agency thereof, including the Federal Aviation Administration of the United States Department of Transportation and the Transportation Security Administration of the United States Department of Homeland Security, or from the State or any department or agency of the State.

"Master Indenture" means the Master Indenture of Trust, dated as of May 1, 2008, between the County and the Trustee, as the provisions thereof may be modified or amended from time to time.

"Moody's" means Moody's Investors Service, Inc. and any successor entity rating Obligations at the request of the County.

"Net Payment" means, with respect to a Swap, the amount payable by the County on each scheduled payment date under such Swap net of the amount payable by the counterparty under such Swap on such scheduled payment date.

"Net Proceeds" means (a) insurance proceeds received as a result of damage to or destruction of Airport System facilities (other than Special Facilities so long as Special Facility Obligations are Outstanding with respect to the damaged or destroyed Special Facilities) and (b) any condemnation award or amounts received by the County from the sale of Airport System land or facilities under the threat of condemnation (other than Special Facilities so long as Special Facility Obligations are Outstanding with respect to such condemned or sold Special Facilities) less (c) expenses (including attorneys' fees and expenses and any fees and expenses of the Trustee) incurred in the collection of such proceeds, sale or award.

"Net Revenues" mean, for any period of time, the Revenues for such period less the Operating Expenses for such period.

"Nominee" means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

"Obligations" means any obligation of the County, including any Bond, issued pursuant to the Master Indenture and a Supplemental Indenture or Issuing Instrument, as applicable.

"One Month USD LIBOR Rate" means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then the One Month USD LIBOR Rate for such date shall be the offered rate for deposits in U.S. dollars for a one month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on the next preceding date on which such dealings were transacted in such market.

"Operating Expenses" means the reasonable and necessary costs and expenses of operating, maintaining and administering the Airport System, determined in accordance with Generally Accepted Accounting Principles, including (among other things) salaries and wages, payments in connection with medical, pension and post-retirement medical plans, fees for services, costs of materials, supplies and fuel, reasonable expenses of management, repairs and other expenses necessary to maintain and preserve the Airport System in good repair and working order, reasonable amounts for administration, insurance, taxes (if any) and other similar costs, legal fees and expenses, the fees and expenses of the Fiduciaries, charges under management agreements for the operation and maintenance of the Airport System, the fees and expenses of remarketing agents, auction agents and broker-dealers, the regularly scheduled fees to be paid pursuant to any Credit Support Agreement, expenses (but not debt service) incurred in connection with the purchase or redemption of Obligations, and all other costs properly allocable to the operation, maintenance or administration of the Airport System, but excluding in all cases:

(a) amortization of intangibles or other bookkeeping entries of a similar nature;

(b) amortization and depreciation of Airport System facilities and assets;

(c) charges for the payment of principal, Redemption Price, Purchase Price, interest or other payments on any Obligations;

(d) any items chargeable to a capital account;

(e) any loss from the sale, exchange or other disposition of capital assets of the Airport System;

(f) any unrealized losses on securities held for investment by or on behalf of the County for the Airport System;

(g) any losses resulting from changes in valuation of any Swap;

(h) any unrealized losses from the write-down, reappraisal or revaluation of assets including investments for "other than temporary" declines in book value;

(i) any extraordinary losses;

(j) any loss resulting from extinguishment of indebtedness;

(k) the costs and expenses of operating, maintaining and administering any Special Facility;

(l) any costs and expenses paid or expected to be paid, or for which the County (or an entity controlled by the County) is or is expected to be reimbursed, from or through any source (including Released Revenues) that is not included or includable in the definition of "Revenues" in the Master Indenture; and

(m) any costs and expenses to the extent such costs and expenses are directly related or reasonably allocable to a category of Released Revenues, as determined by the County.

For purposes of testing compliance with the rate covenant and the limitations on the issuance of Obligations contained in the Master Indenture, Operating Expenses will be calculated based upon Generally Accepted Accounting Principles, except that such calculation will include and exclude those items specifically included or excluded above.

"Operating Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Operating Reserve Account" means the Account in the Operating Fund so designated, established pursuant to the Master Indenture.

"Operating Reserve Requirement" means, as of any date of calculation, an amount equal to 25% of the amount included in the then current Annual Budget for Operating Expenses.

"Opinion of Bond Counsel" means a written opinion signed by Bond Counsel.

"Outstanding" means as of any particular time: (a) with respect to Bonds, except as otherwise provided in the Master Indenture, all Bonds theretofore or thereupon being issued by the County except (i) Bonds theretofore cancelled or surrendered to the Trustee for cancellation; (ii) subject to the provisions of the Master Indenture relating to Bonds held by a Credit Provider, Bonds paid or deemed to be paid pursuant to the provisions of the Master Indenture relating to defeasance of bonds; and (iii) Bonds in lieu of or in substitution for which replacement Bonds have been issued; and (b) with respect to any other Obligations, all such Obligations other than Obligations no longer outstanding under the provisions of the Issuing Instrument relating to such Obligations.

"Owner" means, with respect to a Bond, the registered owner of such Bond as set forth in the Bond Register. "Owner", when used with respect to an Obligation other than Bonds means the registered owner or holder of such Obligation as set forth in the Bond Register.

"Participants" means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository's book-entry system as having an interest in such Bonds.

"Participating Senior Bonds" means the Senior Bonds of each Series except any Series of Senior Bonds which, pursuant to the terms of the Supplemental Indenture relating to such Series, is not secured by amounts in the Senior Debt Service Reserve Fund.

"Participating Subordinate Bonds" means the Subordinate Bonds of each Series except any Series of Subordinate Bonds which, pursuant to the terms of the Supplemental Indenture relating to such Series, is not secured by amounts in the Subordinate Debt Service Reserve Fund.

"Passenger Facility Charges" means charges collected by the County pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990, the Aviation Investment Reform Act of 2000 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport System and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

"Paying Agent," when used with reference to any Series of Obligations, means any commercial bank or trust company organized under the laws of any state of the United States of America, or any national banking association, designated as paying agent for the Obligations of such Series, and its successor or successors appointed in the manner provided in the Master Indenture.

"Payment Priorities" means payment of Obligations in the following order of priority:

(1) first, the Senior Obligations until they are no longer Outstanding on a pro rata basis and among such maturities and/or Sinking Fund Installments as designated by the County and by lot within a maturity;

(2) second, the Subordinate Obligations until they are no longer Outstanding on a pro rata basis and among such maturities and/or Sinking Fund Installments as designated by the County and by lot within a maturity;

(3) third, the Junior Subordinate Obligations until they are no longer Outstanding on a pro rata basis and among such maturities and/or Sinking Fund Installments as designated by the County and by lot within a maturity; and

(4) fourth, any other payments not covered by (1), (2) and (3) of this definition.

"Permitted Investments" means any of the following:

(a) Direct obligations of the United States (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Farmers Home Administration ("FmHA")
Certificates of beneficial ownership

(ii) Federal Housing Administration ("FHA")
Debentures

(iii) General Services Administration
Participation certificates

(iv) Government National Mortgage Association ("GNMA")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations (participation certificates)

(v) United States Maritime Administration
Guaranteed Title XI financing

(vi) United States Department of Housing and Urban Development
Capital Improvement Notes
Local Agency Bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System
Senior debt obligations

(ii) Federal Home Loan Mortgage Corporation (“FHLMC”)
Participation Certificates
Senior debt obligations

(iii) Federal National Mortgage Association (“FNMA”)
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal)

(iv) Student Loan Marketing Association
Senior debt obligations

(v) Resolution Funding Corporation (“REFCORP”)
Obligations (only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable)

(vi) Farm Credit System
Consolidated system-wide bonds and notes.

(d) Money market funds rated at least “AAAm-G” or “AAAm” by S&P or “Aaa” by Moody’s including funds for which the Trustee or any of its affiliates (including any holding company, subsidiaries, or other affiliates) provides investment advisory or other management services, provided such funds satisfy the criteria contained in the Master Indenture.

(e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks (including affiliates of the Trustee), savings and loan associations or mutual savings banks. The collateral must be held by a third party and the County or the Trustee must have a perfected first priority security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation.

(g) Investment agreements with, or guaranteed by, a domestic or foreign bank, financial institution or corporation or other entity (other than a life or property casualty insurance company) the long-term debt of which is rated at the time of execution at least “AA” by S&P and “Aa” by Moody’s, and which agreements are acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture, an Issuing Instrument or a Credit Support Agreement.

(h) Commercial paper rated, at the time of purchase, at least “P-1” by Moody’s and “A-1” by S&P and which matures not later than 270 calendar days after the date of purchase.

(i) Bonds, notes, or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are rated by Moody’s and S&P in the highest rating category assigned by such Rating Agencies and general obligations of such states rated at least “A-2” by Moody’s and “A” by S&P.

(j) United States dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks (including those of the Trustee and its affiliates) which has an unsecured, uninsured and unguaranteed obligation rating on their short-term certificates of deposit on the date of purchase of at least “P-1” by Moody’s and “A-1” by S&P and maturing not more than 180 calendar days after the date of purchase.

(k) Repurchase Agreements for 30 days or less must satisfy the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture, an Issuing Instrument or a Credit Support Agreement.

(i) Repurchase agreements must be between the County or the Trustee and a dealer bank or securities firm

(1) Primary dealers on the Federal Reserve reporting dealer list must be rated at the time of execution at least “A” by S&P and Moody’s, or

(2) Banks must be rated at the time of execution at least “A” by S&P and Moody’s.

(ii) The written repurchase agreements contract must include the following:

(1) Securities which are acceptable for transfer are:

(A) Securities described in subsection (a) or (b) of this definition, or

(B) Securities of FNMA or FHLMC described in subsection (c) of this definition.

(2) The collateral must be delivered to the County, the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneously with payment.

(3) Valuation of Collateral

(A) The securities must be valued weekly, marked-to-market at current market price plus accrued interest.

(iii) The value of collateral in the case of securities described in subsections (a) or (b) of this definition must be equal to 104% of the amount of cash transferred by the County or the Trustee to the dealer bank or security firm under the repurchase agreement plus accrued interest. The value of collateral in the case of securities of FNMA or FHLMC described in subsection (c) of this definition must be equal to 105% of the amount of cash transferred by the County or the Trustee to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral falls below the required percentage of the value of the cash transferred, then additional cash and/or acceptable securities must be transferred.

(iv) Legal Opinion. An opinion of counsel selected by the County, which may be in-house counsel to the County or other counsel retained by the County, to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds must be received by the County or the Trustee.

(l) Investments in the County of Sacramento Pooled Investment Fund.

(m) Investments in the State of California’s Local Agency Investment Fund (LAIF).

(n) Advance Refunded Municipal Securities.

(o) Negotiable and non-negotiable certificates of deposit or thrift or bank notes issued by a state or national bank or a state-licensed branch of a foreign bank (excluding the Trustee) that have maturities of not more than three hundred sixty-five (365) days and that are fully insured by the Federal Deposit Insurance Corporation or the short-term obligations of which state or national bank or state-licensed branch of a foreign bank are rated no lower than "A1" by Moody's and "A+" by S&P, or medium-term notes with a maximum maturity of five (5) years and subject to the same credit qualifications described in this definition.

(p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(i) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(ii) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.

(iii) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

(q) Any other forms of investments relating to proceeds of a Series of Obligations if approved in writing by the Credit Provider for such Series.

"Person" means an individual, corporation, firm, association, partnership, trust or other entity or group of entities, whether or not a legal entity, including a governmental entity or any agency or political subdivision thereof.

"Principal Office" means, with respect to: (a) the Trustee, the principal office of such Trustee in Los Angeles, California; and (b) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Trustee; provided however that with respect to presentation of Obligations for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee or other Fiduciary at which, at any particular time, its corporate trust agency business shall be conducted.

"Priority Obligations" has the meaning described under the heading "THE MASTER INDENTURE – Covenants and Obligations of the County – Creation of Prior Liens" below.

"Purchase Price" means, with respect to Tender Obligations, the purchase price set forth in, or determined pursuant to, the Supplemental Indenture or Issuing Instrument relating to such Series to be paid to the Owners of such Obligations when such Obligations are tendered for purchase or deemed tendered for purchase in accordance with the provisions of such Supplemental Indenture or Issuing Instrument.

"Qualified Counterparty" means a party (other than the County) to a Swap (1) (a) who is rated, at the time of execution of such Swap, in the two highest rating categories (without regard to any gradations within a rating category) by at least two nationally recognized rating agencies, (b) whose senior debt obligations are rated, at the time of execution of such Swap, in the two highest rating categories (without regard to any gradations within a rating category) by at least two nationally recognized rating agencies or guaranteed by an entity so rated, (c) whose obligations under such Swap are guaranteed for the entire term of the Swap by a bond insurer or other institution which has been assigned a credit rating, at the time of execution of such Swap, in the two highest rating categories (without regard to any gradations within a rating category) by at least two nationally recognized rating agencies, or (d) whose obligations under such Swap are collateralized in such a manner as to obtain a rating, at the time of execution of such Swap, by in the two highest rating categories (without regard to any gradations within a rating category) by at least two nationally recognized rating agencies; and (2) who is otherwise qualified to act as the other party to such Swap under all applicable laws of the State.

"Qualified Swap" means a Swap satisfying the conditions of the Master Indenture relating to the issuance of Senior Obligations or Subordinate Obligations, as applicable.

"Rating Agency" means, as of any time and to the extent it is then providing or maintaining a rating on Obligations at the request of the County, each of Moody's, S&P and Fitch, or in the event that neither Moody's, S&P or Fitch then maintains a rating on Obligations at the request of the County, any other nationally recognized rating agency then providing or maintaining a rating on Obligations at the request of the County.

"Rating Confirmation" means written evidence from each Rating Agency then rating Outstanding Obligations at the request of the County to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Obligation shall not be lowered or withdrawn solely as a result of the occurrence of such event. If no rating is in effect with respect to any Series of Obligations, references to "Rating Confirmation" in the Master Indenture shall be considered deleted and none shall be required with respect to such Series.

"Rebate Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Rebate Instructions" means the instructions by an Authorized County Representative as to the deposit of moneys in the Rebate Fund, the investment of moneys in Rebate Fund and the payment of moneys from the Rebate Fund given, with respect to each Series of Obligations, in accordance with the Tax Certificate, if any, relating to such Series of Obligations.

"Redemption Price" means, with respect to any redemption of an Obligation prior to its maturity, the amount to be paid upon such redemption as set forth in, or determined in accordance with, the Supplemental Indenture or Issuing Instrument relating to such Obligation.

"Refunding Bonds" means Bonds issued in accordance with the terms and conditions of the Master Indenture and satisfying the conditions of the Master Indenture relating to the issuance of Senior Bonds, Subordinate Bonds, or Junior Subordinate Bonds, as applicable.

"Refunding Senior Obligations" means Senior Obligations, including Refunding Bonds, that satisfy the applicable conditions of the Master Indenture relating to the issuance of Senior Obligations.

"Refunding Subordinate Obligations" means Subordinate Obligations, including Refunding Bonds, that satisfy the applicable conditions of the Master Indenture relating to the issuance of Subordinate Obligations and which are subordinated as provided in the provisions of the Master Indenture relating to the issuance of Subordinate Obligations.

"Reimbursement Obligations" means the obligations of the County to pay from the Net Revenues amounts due under a Credit Support Agreement.

“Released Revenues” means (1) a category of income, receipts and other revenues of the County which are excluded from the definition of “Revenues” pursuant to the provisions of the Master Indenture described under the captain “THE MASTER INDENTURE – Authorization and Issuance of Bonds and Obligations – Released Revenues” below and (2) at the option of the County (evidenced by the delivery by the County to the Trustee of a written request from an Authorized Airport Representative), all or any portion (as set forth in such written request from an Authorized Airport Representative) of any income, receipts and other revenues of the County derived from any hotel owned by the County (or another entity controlled by the County) as part of, or in connection with, the Airport System.

“Released Revenues Related Expenses” means costs and expenses described in subparagraph (m) of the definition of “Operating Expenses” in the Master Indenture.

“Reserve and Contingency Fund” means the Fund so designated, established pursuant to the Master Indenture.

“Reserve and Contingency Requirement” means, as of any date of calculation, an amount equal to $2,000,000 or such greater amount as specified in the then-current Annual Budget.

“Reserve Guaranty” means a policy of insurance or surety bond or a letter of credit or other financial arrangement issued by a Reserve Guaranty Provider, rated (or its guarantor is rated) in the two highest rating categories (without regard to any gradations within a rating category) by at least one nationally recognized rating agency at the time of issuance of such policy or surety bond or letter of credit or other financial arrangement.

“Reserve Guaranty Agreement” means an agreement between the County and a Reserve Guaranty Provider under which, among other things, the County agrees to reimburse the Reserve Guaranty Provider for amounts drawn under the applicable Reserve Guaranty and to pay interest on such amounts and expense related thereto. “Reserve Guaranty Agreement” also means and includes covenants or agreements of the County contained in a Supplemental Indenture or Issuing Instrument providing for the reimbursement to the Reserve Guaranty Provider for draws under the applicable Reserve Guaranty.

“Reserve Guaranty Provider” means any insurance company, bank or other institution which has issued a Reserve Guaranty.

“Revenue Fund” means the Fund so designated, established pursuant to the Master Indenture.

“Revenues” mean all income, receipts, earnings and revenues (including, but not limited to, any Subsidy) received by or accrued to the Department from the ownership or operation of the Airport System, excluding, except to the extent deposited in the Revenue Fund:

(a) gifts, grants and other funds otherwise included in this definition of “Revenues” which are restricted by their terms to purposes inconsistent with the payment of Operating Expenses or payment of Obligations;

(b) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds are restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of Operating Expenses or the payment of Obligations;

(c) except as and to the extent included in calculations made pursuant to the provisions of the Master Indenture relating to rates and charges, any Transfer;

(d) except as provided in the Master Indenture with respect to discharged Special Facility Obligations, any Special Facility Revenue;

(e) any gain from the sale, exchange or other disposition of capital assets of the Airport System;

(f) any Released Revenues;

(g) any unrealized gains on securities held for investment by or on behalf of the County;

(h) any gains resulting from changes in valuation of any Swap;

(i) any unrealized gains from the write-down, reappraisal or revaluation of assets;

(j) the proceeds of Obligations;

(k) Facilities Construction Credits;

(l) Passenger Facility Charges;

(m) Customer Facility Charges;

(n) Grant Funds;

(o) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Obligations;

(p) any arbitrage earnings which are required to be paid to the United States of America pursuant to Section 148 of the Code; and

(q) interest earnings or other investment earnings on any Account in the Construction Fund established by any Supplemental Indenture unless otherwise provided in such Supplemental Indenture.

For purposes of testing compliance with the rate covenant and the limitations on the issuance of Obligations contained in the Master Indenture, Revenues will be calculated based upon Generally Accepted Accounting Principles, except that such calculation will include and exclude those items specifically included or excluded above or in the definition of Accrued Debt Service or Aggregate Adjusted Annual Debt Service, as applicable.

For purposes of meeting any of the tests prescribed by the Master Indenture, any transfers from the Capital Improvement Fund to the Revenue Fund shall be deemed to be "Revenues."

"S&P" means Standard & Poor's Rating Services, a Division of the McGraw-Hill Companies, and any successor entity rating Obligations at the request of the County.

"Securities Depository" means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

"Senior Bonds" means Bonds issued for the purpose set forth in the Master Indenture and satisfying the conditions therein relating to the issuance of Senior Obligations, which have the priority set forth in the provisions of the Master Indenture relating to the issuance of Senior Obligations.

“Senior Debt Service Fund” means the Fund so designated, established pursuant to the Master Indenture.

“Senior Debt Service Reserve Fund” means the Fund so designated, established pursuant to the Master Indenture.

“Senior Debt Service Reserve Requirement” means: (i) with respect to the Senior Debt Service Reserve Fund, as of any date of calculation, an amount equal to the least of (a) 10% of the initial offering price to the public of the Participating Senior Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service for the Participating Senior Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Participating Senior Bond is due, or (c) 125% of the sum of the Bond Debt Service for the Participating Senior Bonds for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of any Participating Senior Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service for the Participating Senior Bonds is due, divided by the number of such Fiscal Years, all as computed and determined by the County and specified in writing to the Trustee; provided, however that in determining Bond Debt Service with respect to any Participating Senior Bonds that constitute Variable Rate Obligations, the interest rate on such Participating Senior Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Participating Senior Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Participating Senior Bonds shall have been Outstanding (or if such Participating Senior Bonds that constitute Variable Rate Obligations have not yet been issued, then the interest rate on such Participating Senior Bonds shall be assumed to be equal to 110% of the average SIFMA Index during the last 12 months ending with the month preceding the date of calculation); (ii) with respect to any Senior Series Debt Service Reserve Fund, the amount specified as such in the Supplemental Indenture establishing such Senior Series Debt Service Reserve Fund; and (iii) with respect to any debt service reserve for Senior Obligations other than the Senior Debt Service Reserve Fund or a Senior Series Debt Service Reserve Fund, the amount, if any, specified in the applicable Issuing Instrument establishing such debt service reserve as the Senior Debt Service Reserve Requirement for such debt service reserve.

“Senior Obligations” means Senior Bonds and any Obligations (or portions thereof) which have the priority set forth in the Master Indenture relating to the issuance of Senior Obligations and that satisfy the conditions therein, including without limitation Reimbursement Obligations related to Senior Bonds and Net Payments due under Qualified Swaps related to Senior Bonds but excluding Termination Payments under Qualified Swaps related to Senior Bonds.

“Senior Series Debt Service Reserve Fund” means any fund established by the Trustee pursuant to a Supplemental Indenture in connection with the issuance of any Series of Senior Bonds other than Participating Senior Bonds and that is required to be funded for the purpose of providing additional security for such Series of Senior Bonds and, under the conditions provided in such Supplemental Indenture, to provide additional security for such other Series of Senior Bonds as shall satisfy such conditions.

“Serial Obligations” means Obligations for which no Sinking Fund Installments are established.

“Series” means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Supplemental Indenture or Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

“Series 2008 Senior Bonds” means the County of Sacramento Airport System Senior Revenue Bonds, Series 2008A (Non-AMT), Series 2008B (AMT) and Taxable Series 2008C.

“Series 2008 Subordinate Bonds” means the County of Sacramento Airport System Subordinate and PFC Revenue Refunding Bonds, Series 2008D (Non-AMT) and Series 2008E (AMT).

“Series 2020 Continuing Disclosure Certificate” means the continuing disclosure certificate executed by the County relating to the Series 2020 Senior Bonds.

“Series 2020 Senior Bonds” means the County of Sacramento Airport System Senior Revenue Refunding Bonds, Series 2020 (Non-AMT Private Activity).

“SIFMA Index” means the Securities Industry & Financial Markets Association (formerly The Bond Market Association) (“SIFMA”) Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or otherwise designated by SIFMA.

“Significant Portion” means, for purposes of the Master Indenture with respect to the County’s covenants relating to sale, lease or disposition of property and eminent domain, any Airport System facilities or portions thereof which, if such facilities had been sold or disposed of on the date which is one year prior to the last day of the month preceding the month of sale or disposition of the facilities pursuant to such covenants, would have resulted in a reduction of Net Revenues for such year of more than 5% when actual Net Revenues for such year are decreased by Revenues directly attributable to such Airport System facilities and increased by the Operating Expenses directly attributable to such Airport System facilities.

“Sinking Fund Installment” means, with respect to any Term Obligations, each amount so designated for such Term Obligations in the Supplemental Indenture or Issuing Instrument relating to such Obligations requiring payments of such amounts by the County from the Net Revenues to be applied to the retirement of such Obligations on and prior to the stated maturity date thereof.

“Special Facilities” or “Special Facility” mean a facility or group of facilities or category of facilities which are designated as a Special Facility pursuant to the Master Indenture. “Special Facilities” shall include the facilities relating to The Cessna Aircraft Company Project Special Facility Obligations as described in the definition of “Special Facility Obligations.”

“Special Facility Obligations” means Obligations issued or incurred pursuant to an Issuing Instrument to finance or refinance Special Facilities and which are not payable from the Net Revenues or secured by a lien on and/or pledge of the Revenues but which are payable from, and secured by a pledge and lien on, only revenues derived from the financed Special Facilities. “Special Facility Obligations” shall include the County of Sacramento Variable Rate Demand Special Facilities Airport Revenue Bonds, Series 1998 (The Cessna Aircraft Company Project).

“Special Facility Revenue” means the contractual payments and all other revenues derived by the County from a Special Facility which are pledged to secure Special Facility Obligations.

“State” means the State of California.

“Subordinate Bonds” means Bonds issued for the purpose set forth in the Master Indenture and satisfying the conditions therein relating to the issuance of Subordinate Obligations, which are subordinated as provided in the provisions of the Master Indenture relating to the issuance of Subordinate Obligations.

“Subordinate Debt Service Fund” means the Fund so designated, established pursuant to the Master Indenture.

"Subordinate Debt Service Reserve Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Subordinate Debt Service Reserve Requirement" means: (i) with respect to the Subordinate Debt Service Reserve Fund, as of any date of calculation, an amount equal to the least of (a) 10% of the initial offering price to the public of the Participating Subordinate Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service for the Participating Subordinate Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Participating Subordinate Bond is due, or (c) 125% of the sum of the Bond Debt Service for the Participating Subordinate Bonds for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of any Participating Subordinate Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service for the Participating Subordinate Bonds is due, divided by the number of such Fiscal Years, all as computed and determined by the County and specified in writing to the Trustee; provided, however that in determining Bond Debt Service with respect to any Participating Subordinate Bonds that constitute Variable Rate Obligations, the interest rate on such Participating Subordinate Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Participating Subordinate Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Participating Subordinate Bonds shall have been Outstanding (or if such Participating Subordinate Bonds that constitute Variable Rate Obligations have not yet been issued, then the interest rate on such Participating Subordinate Bonds shall be assumed to be equal to 110% of the average SIFMA Index during the last 12 months ending with the month preceding the date of calculation); (ii) with respect to any Subordinate Series Debt Service Reserve Fund, the amount specified as such in the Supplemental Indenture establishing such Subordinate Series Debt Service Reserve Fund; and (iii) with respect to any debt service reserve for Subordinate Obligations other than the Subordinate Debt Service Reserve Fund or a Subordinate Series Debt Service Reserve Fund, the amount, if any, specified in the applicable Issuing Instrument establishing such debt service reserve as the Subordinate Debt Service Reserve Requirement for such debt service reserve.

"Subordinate Obligation" means any Subordinate Bonds and any Obligations (or portions thereof) which are subordinated as provided in the provisions of the Master Indenture relating to the issuance of subordinate obligations and that satisfy the conditions of the Master Indenture, including without limitation Termination Payments under Qualified Swaps related to Senior Bonds, Reimbursement Obligations related to Subordinate Bonds and Net Payments under Qualified Swaps related to Subordinate Bonds but excluding Termination Payments under Qualified Swaps related to Subordinate Bonds.

"Subordinate Payment Default" means a failure to pay when due any Subordinate Obligations.

"Subordinate Series Debt Service Reserve Fund" means any fund established by the Trustee pursuant to a Supplemental Indenture in connection with the issuance of any Series of Subordinate Bonds other than Participating Subordinate Bonds and that is required to be funded for the purpose of providing additional security for such Series of Subordinate Bonds and, under the conditions provided in such Supplemental Indenture, to provide additional security for such other Series of Subordinate Bonds as shall satisfy such conditions.

"Subsidy" means any subsidy, reimbursement or other payment from the federal government of the United States of America under the American Recovery and Reinvestment Act of 2009 (or any similar legislation or regulation of the federal government of the United States of America or any other governmental entity).

"Supplemental Indenture" means any supplemental indenture supplementing or amending the Master Indenture as theretofore in effect, entered into by the County and the Trustee in accordance with the Master Indenture.

"Swap" means any contract, agreement or arrangement between the County and a counterparty relating to the Airport System (a) providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (b) providing for the exchange of cash flows or a series of payments, or (c) providing for the hedge of payment, currency, rate spread or similar exposure, including but not limited to interest rate exposure. The term "Swap" includes any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure.

"Tax Certificate" means a certificate relating to the requirements of the Code signed on behalf of the County and delivered in connection with the issuance of a Series of Obligations constituting Tax-Exempt Securities.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Obligations, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax-Exempt Securities" means bonds, notes or other securities the interest on which is Tax-Exempt.

"Tender Obligations" means any Obligations or portions of Obligations, a feature of which is an option or obligation, on the part of the Owners thereof under the terms of such Obligations, to tender for purchase all or a portion of such Obligations to the County, a fiscal agent, a paying agent, a tender agent or other agent.

"Tenth Supplemental Indenture" means the Tenth Supplemental Indenture of Trust, dated as of August 1, 2020, between the County and the Trustee, relating to the Series 2020 Senior Bonds.

"Term Obligations" means Obligations as to which Sinking Fund Installments have been established.

"Termination Payment" means, with respect to a Swap, the amount payable by the County or the counterparty as a result of the termination of such Swap prior to its scheduled expiration date.

"Test Year" means, with respect to the issuance of Refunding Senior Obligations or Refunding Subordinate Obligations, the period commencing in the Fiscal Year in which such Obligations are issued and ending in the last Fiscal Year in which Obligations which are Outstanding both immediately prior to and immediately after the issuance of such Obligations are scheduled to remain Outstanding.

"Transfer" means with respect to a Fiscal Year (a) the amount in the Capital Improvement Fund on the last Business Day of such Fiscal Year plus (b) any amounts withdrawn from the Capital Improvement Fund during such Fiscal Year to pay Operating Expenses and to make any required payments or deposits to pay or secure the payment of Obligations less (c) any amounts credited to the Capital Improvement Fund from the Revenue Fund during such Fiscal Year.

"Trust Estate" means, subject to the provisions of the Master Indenture and any applicable Issuing Instrument permitting the application thereof for the purposes and on the terms and conditions set forth therein and subject to the rights of the County to release categories of Revenues from the Trust Estate as provided in the Master Indenture: (a) the Net Revenues; (b) each Swap, including all payments (including Termination Payments) thereunder; (c) each Credit Support Instrument, including all payments thereunder; (d) each Reserve Guaranty, including all payments thereunder; (e) all Available CFC Revenues, all Available Grant Revenues, and all Available PFC Revenues; (f) the Construction Fund, the Revenue Fund, the Senior Debt Service Fund, the Senior Debt Service Reserve Fund, the Subordinate Debt Service Fund, the Subordinate Debt Service Reserve Fund, the Junior Subordinate Fund, the Reserve and Contingency Fund, the Capital Improvement Fund, each Senior Series Debt Service Reserve Fund, each Subordinate Series Debt Service Reserve Fund, the Available CFC Account, the Available Grant Account and the Available PFC Account, including all Accounts in any of the foregoing, all money, instruments, investment property, and other property on deposit in or credited to any such Fund or Account, and all property, including Permitted Investments, purchased with money on deposit in or credited to any such Fund or Account; (g) any additional property that may from time to time, by delivery or by writing of any kind, be subjected to the lien by the County or by anyone on its behalf which additional property the Trustee is authorized and directed to accept as part of the Trust Estate; and (h) all proceeds of the foregoing.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., and any successor trustee under the Master Indenture.

"United States Bankruptcy Code" means Title 11 of the United States Code, as the same may be amended and supplemented, and any successor statute.

"Variable Rate Obligations" means any Obligation the interest rate on which is not fixed to the final maturity date thereof.

THE MASTER INDENTURE

General

The Master Indenture sets forth certain terms of the Bonds and Obligations, the conditions for issuance of the Bonds and Obligations, the nature and extent of the security of the Bonds and Obligations, various rights of the Holders of the Bonds and Obligations, rights, duties and immunities of the Trustee and the rights and obligations of the County. Although certain provisions of the Master Indenture are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Master Indenture.

Authorization and Issuance of Bonds and Obligations

Authorization of Bonds and Obligations. Bonds of the County to be generally designated as "County of Sacramento Airport System Revenue Bonds" may be issued from time to time pursuant to Supplemental Indentures. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Master Indenture is not limited except as may hereafter be provided in the Master Indenture or as may be limited by law.

The Bonds may be issued in one or more Series, and the designation thereof, in addition to the name "County of Sacramento Airport System Revenue Bonds" shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the

County may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Obligations other than Bonds may be issued or incurred from time to time on the terms and conditions set forth in the Master Indenture and the Issuing Instrument relating to such Obligations. The amount of Obligations that may be secured under the Master Indenture and the applicable Issuing Instrument is not limited except as may hereafter be provided in the Master Indenture or an Issuing Instrument or as may be limited by law.

Limited Obligations. The Obligations shall not constitute a charge against the general credit of the County but shall constitute and evidence special obligations of the County payable as to principal, Redemption Price, interest and other payments solely from the Trust Estate and, with respect to any particular Series of Obligations, from such other sources as shall be specified in the Supplemental Indenture or Issuing Instrument relating to such Series. The Purchase Price for the Tender Obligations shall be payable from such sources as are specified in the Supplemental Indenture or Issuing Instrument relating to such Series. The provisions of the Master Indenture described under this caption "Limited Obligations" shall not preclude the payment or redemption of Obligations, at the election of the County, from any other legally available funds.

The Obligations shall recite in substance that the principal, Redemption Price, interest and other payments on the Obligations are payable solely from the Trust Estate pledged for the payment thereof, and that the County is not obligated to pay the Obligations except from the Trust Estate; that the General Fund of the County is not liable and the full faith and credit or taxing power of the County is not pledged for the payment of the principal, Redemption Price, interest and other payments on the Obligations, and no tax or assessment shall ever be levied or collected to pay the principal, Redemption Price, interest and other payments on the Obligations; and that the Obligations are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any of the property of the County or any of its income or receipts except the Trust Estate as provided in the Master Indenture, and neither the payment of the principal, Redemption Price, interest or other payments on the Obligations is a general debt, liability or obligation of the County or the State of California.

From and after the issuance of the Obligations of each Series the findings and determinations of the Board respecting that Series shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Obligations is at issue, and no bona fide purchaser of any of such Obligations shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for such Obligations. The validity of the issuance of each Series of Obligations shall not be dependent on or affected in any way by (i) any proceedings taken by the County for the acquisition and construction of any additions, betterments, extensions or improvements to the Airport System, or (ii) any contracts made by the County in connection therewith, or (iii) the failure to complete the acquisition and construction of any additions, betterments, extensions or improvements to the Airport System. Any recital contained in the Obligations that the Obligations are issued under and pursuant to the Act and under and pursuant the Indenture shall be conclusive evidence of their validity and of the regularity of their issuance and all Obligations shall be incontestable from and after their issuance. Obligations shall be deemed to be issued, within the meaning of the Indenture, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) or fully executed Obligations have been delivered to the purchaser thereof and the purchase price thereof received.

Indenture to Constitute Contract. In consideration of the purchase and acceptance of each Obligation issued or secured under the Indenture and any applicable Issuing Instrument by those who shall own the same from time to time, the provisions of each Obligation and the provisions of the Indenture and any applicable Issuing Instrument applicable to such Obligation, and the provisions of the State Constitution, the Act and any other general laws of the State applicable to such Obligation, shall be deemed to be and shall constitute a contract between the County and the Owner of such Obligation.

General Provisions for Issuance of Bonds. All (but not less than all) the Bonds of each Series shall be executed by the County for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the County or upon its order, but only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(a) An executed counterpart of the Master Indenture, as amended to the date of the initial delivery of such Series of Bonds, and an executed counterpart of the Supplemental Indenture relating to such Series of Bonds, which Supplemental Indenture shall specify:

(i) the sources of payment for the Bonds of such Series other than the Trust Estate, if any;

(ii) the Series designation of such Bonds and whether such Bonds constitute Senior Bonds, Subordinate Bonds or Junior Subordinate Bonds and whether such Bonds are Current Interest Obligations, Capital Appreciation Obligations or Convertible Obligations;

(iii) the authorized principal amount of the Bonds of such Series;

(iv) the purposes for which such Series of Bonds are being issued, which shall be one of the purposes specified in “Additional Bonds” and “Refunding Bonds” below;

(v) the date or manner of determining the date of the Bonds of such Series;

(vi) the maturity date or dates of the Bonds of such Series and the principal amount of the Bonds of such Series maturing on each such maturity date;

(vii) which, if any, of the Bonds of such Series shall constitute Serial Obligations and which, if any, shall constitute Term Obligations;

(viii) the interest rate or rates on the Bonds of such Series or the manner of determining such interest rate or rates;

(ix) the Interest Payment Dates for the Bonds of such Series or the manner of establishing such Interest Payment Dates;

(x) the Authorized Denominations of the Bonds of such Series;

(xi) the Redemption Price or Prices, if any, and, subject to the provisions of the Master Indenture with respect to redemption, the redemption terms for the Bonds of such Series or the manner of determining such Redemption Prices and terms;

(xii) the Sinking Fund Installments, if any, for the Bonds of such Series which constitute Term Obligations;

(xiii) if any of the Bonds of such Series constitute Tender Obligations, the terms and conditions, if any, including Purchase Price, for the exercise by the Owners or Beneficial Owners of such Bonds of the option to tender such Bonds for purchase and the terms and conditions, if any, including Purchase Price, upon which the Bonds of such Series shall be subject to mandatory tender for purchase;

(xiv) if the Bonds of such Series are not to be Book-Entry Bonds, a statement to such effect;

(xv) whether the Bonds of such Series will be Participating Senior Bonds or Participating Subordinate Bonds;

(xvi) if the Bonds of such Series will not be Participating Senior Bonds or Participating Subordinate Bonds, if such Bonds are to be secured by an existing Senior Series Debt Service Reserve Fund or existing Subordinate Series Debt Service Reserve Fund;

(xvii) if the Bonds of such Series will not be Participating Senior Bonds or Participating Subordinate Bonds nor be secured by an existing Senior Series Debt Service Reserve Fund or existing Subordinate Series Debt Service Reserve Fund, whether a Senior Series Debt Service Reserve Fund or a Subordinate Series Debt Service Reserve Fund is to be established in connection with such Series of Bonds and, if so, the amount or manner of determining the amount of the Senior Debt Service Reserve Requirement or Subordinate Debt Service Reserve Requirement in connection with such Senior Series Debt Service Reserve Fund or Subordinate Series Debt Service Reserve Fund, as applicable;

(xviii) the appropriate Funds and Accounts, if any, relating to such Series of Bonds established under such Supplemental Indenture;

(xix) the application of the proceeds of the sale of such Series of Bonds including the amount, if any, to be deposited in the Funds and Accounts maintained under the Master Indenture or the Supplemental Indenture relating to such Series;

(xx) the forms of the Bonds of such Series and of the certificate of authentication thereon; and

(xxi) such other provisions as are appropriate or necessary and not inconsistent with the provisions of the Master Indenture described above.

(b) An Opinion of Bond Counsel, dated the date of the initial delivery of such Series of Bonds, to the effect that the Master Indenture, as amended and supplemented to such date, including as supplemented by the Supplemental Indenture relating to such Series of Bonds, constitute the valid and binding obligation of the County.

(c) A certificate of an Authorized County Representative to the effect that no Event of Default has occurred and is continuing (except that Bonds may be issued to cure any Event of Default which may then be existing).

(d) With respect to any Senior Bonds other than the Series 2008 Senior Bonds, the Trustee shall have received the documents required by the applicable provisions of the Master Indenture relating to conditions to the issuance of Senior Obligations.

(e) With respect to any Subordinate Bonds other than the Series 2008 Subordinate Bonds, the Trustee shall have received the documents required by the applicable provisions of the Master Indenture relating to the conditions to the issuance of Subordinate Obligations.

(f) With respect to any Junior Subordinate Bonds, the Trustee shall have received the documents required by the applicable provisions of the Master Indenture relating to the conditions to the issuance of Junior Subordinate Obligations.

(g) Such further documents, moneys and securities as are required by the applicable provisions of the Master Indenture or of the Supplemental Indenture relating to such Series.

After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Indenture.

Additional Bonds. One or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of paying all or a portion of the Costs of any Capital Improvement and for any other lawful purpose. Additional Bonds may be issued in a principal amount sufficient to pay such Costs, including providing amounts for the Costs of Issuance of such Series of Additional Bonds and the making of any deposits into the Funds or Accounts required by the provisions of the Indenture or the Supplemental Indenture relating to such Additional Bonds and for any other lawful purpose.

Refunding Bonds. One or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of any Outstanding Obligations, including payment of costs incidental to or connected with the refunding of such Obligations. Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding, including providing amounts for the Costs of Issuance of such Refunding Bonds and the making of any deposits into the Funds and Accounts required by the provisions of the Indenture or the Supplemental Indenture relating to such Refunding Bonds and for any other lawful purpose.

General Provisions for Issuance of Obligations Other than Bonds. All Obligations (other than Bonds) of each Series shall be issued or incurred by the County and secured under the Indenture and the applicable Issuing Instrument in accordance with the terms thereof, but only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance or incurrence of such Series of Obligations have been satisfied):

(a) An executed counterpart of the Master Indenture, as amended to the date of the initial issuance of such Series of Obligations, and an executed counterpart of the Issuing Instrument relating to such Series of Obligations, which Issuing Instrument shall specify:

(i) the sources of payment for the Obligations of such Series other than the Trust Estate, if any;

(ii) the Series designation of such Obligations and whether such Obligations constitute Senior Obligations, Subordinate Obligations or Junior Subordinate Obligations;

(iii) the purposes for which such Obligation or Series of Obligations are being issued;

(iv) the form, title, designation, manner of numbering or denominations, if applicable, of such Obligations;

(v) the date or dates of maturity or other final expiration of the term of such Obligations, if applicable;

(vi) the date of issuance or incurrence of such Obligations;

(vii) the principal amount of such Obligation (if any) for purposes of calculating the percentage of Owners of Obligations required to take actions or give consents pursuant to the Master Indenture (which, if such Obligation is not debt under Generally Accepted Accounting Principles, shall be equal to zero. The designation of zero as a principal amount of an Obligation shall not in any manner affect the obligation of the County to pay such Obligation); and

(viii) such other provisions as are appropriate or necessary and not inconsistent with the provisions described above.

(b) A certificate of an Authorized County Representative to the effect that no Event of Default has occurred and is continuing (except that Obligations may be issued to cure any Event of Default which may then be existing).

(c) With respect to any Senior Obligations, the Trustee shall have received the documents required by the applicable provisions of the Master Indenture.

(d) With respect to any Subordinate Obligations, the Trustee shall have received the documents required by the applicable provisions of the Master Indenture.

(e) With respect to any Junior Subordinate Obligations, the Trustee shall have received the documents required by the applicable provisions of the Master Indenture.

Conditions to Issuance of Senior Obligations.

(a) Without satisfying the requirements of the Master Indenture described in subsection (e) below, the County may, at any time and from time to time, issue or enter into an Obligation which is a Qualified Swap, the Net Payments under which shall constitute Senior Obligations, provided that at the time of entering into such Swap (i) the Qualified Swap shall relate to a principal amount of Outstanding Senior Obligations or Senior Obligations issued or expected to be issued; (ii) the notional amount of the Qualified Swap shall not exceed the principal amount of the related Outstanding Senior Obligations or Senior Obligations expected to be issued; and (iii) the counterparty shall be a Qualified Counterparty.

(b) The County may, at any time and from time to time, issue Refunding Senior Obligations provided that either: (i) the requirements of the Master Indenture described in subsection (e) below are satisfied upon the issuance of such Refunding Senior Obligations and the application of the proceeds thereof; or (ii) the Trustee has received a certificate of an Authorized County Representative certifying that the Aggregate Adjusted Annual Debt Service for all Obligations to be Outstanding after the issuance of such Refunding Senior Obligations shall not exceed the Aggregate Adjusted Annual Debt Service for all Obligations Outstanding immediately prior to the issuance of such Refunding Senior Obligations in each Test Year.

(c) Without satisfying the requirements of the Master Indenture described in subsection (b) above or subsection (e) below, the County may issue the Series 2008 Senior Bonds.

(d) Without satisfying the requirements of the Master Indenture described in subsection (e) below, the County may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Reimbursement Obligations with respect to Senior Obligations.

(e) The County may, at any time and from time to time, issue any Additional Senior Obligations, provided:

(i) an Authorized County Representative or an Airport Consultant has provided to the Trustee a certificate stating that Net Revenues for either the most recent Fiscal Year for which audited financial statements of the Airport System are available or any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the month of issuance of the proposed Additional Senior Obligations were sufficient to satisfy the rate covenant set forth in the Master Indenture for each of the next five full Fiscal Years following issuance of the Additional Senior Obligations, or each of the next two full Fiscal Years from the issuance of the Additional Senior Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Senior Obligations; or

(ii) an Airport Consultant has provided to the Trustee a certificate stating that, based upon assumptions the Person signing the certificate deems reasonable, projected Net Revenues will be sufficient to satisfy the rate covenant set forth in the Master Indenture for each of the next five full Fiscal Years following issuance of the Additional Senior Obligations, or each of the next two full Fiscal Years from issuance of the Additional Senior Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Senior Obligations.

For purposes of (e)(i) and (ii) above, the Person signing the certificate required by such clause may assume that, in each relevant Fiscal Year, Accrued Debt Service for Outstanding Obligations will equal Aggregate Adjusted Annual Debt Service for such Fiscal Year.

For purposes of (e)(i) above, the County shall be allowed to adjust Net Revenues for earnings arising from any increase in the rates, charges and fees for the use of the Airport System which has become effective prior to the issuance of such proposed Additional Senior Obligations but which, during the Fiscal Year or 12-month period utilized by the County for purposes of (e)(i) above, was not in effect for the entire Fiscal Year or 12-month period under consideration, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole Fiscal Year or 12-month period under consideration, as determined by an Authorized County Representative.

For purposes of (e)(ii) above, in estimating Net Revenues, the Person signing the certificate required by such clause may take into account (1) Revenues from Capital Improvements reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which has been approved by the Board and will be in effect during the period for which the estimates are provided or (3) any other increases in Revenues which the Person signing the certificate believes to be a reasonable assumption for such period. With respect to Operating Expenses of the County, the Person signing the certificate required by (e)(ii) above shall use such assumptions as such Person believes to be reasonable, taking into account: (i) historical Operating Expenses of the County, (ii) Operating Expenses associated with the Capital Improvements to be funded with the proceeds of the Additional Senior Obligations proposed to be issued and any other new Capital Improvements and Airport System facilities and (iii) such other factors, including inflation and changing operations or policies of the County, as the Person signing such certificate believes to be appropriate. The Person signing the certificate required by (e)(ii) above shall include in such certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Adjusted Annual Debt Service, which calculations may be based upon information provided by the County.

For purposes of preparing the certificate or certificates described above, the Authorized County Representative or Airport Consultant, as applicable, may rely upon financial statements prepared by the

County which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized County Representative shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with Generally Accepted Accounting Principles.

Neither of the certificates described under (e)(i) or (e)(ii) above shall be required if the proceeds of Additional Senior Obligations being issued will be used to pay Costs of completing the Construction of a Capital Improvement for which Senior Obligations have previously been issued and the principal amount of such Additional Senior Obligations being issued for completion purposes does not exceed an amount equal to 10% of the principal amount of the Senior Obligations originally issued for such Capital Improvement as shown in a written certificate of an Authorized County Representative and there is delivered to the Trustee (i) a certificate of an Authorized County Representative or an Airport Consultant stating that the nature and purpose of such Capital Improvement has not materially changed and that the proceeds of such Additional Senior Obligations plus any other moneys in the Construction Fund available to pay the Costs of such Capital Improvement are expected to be sufficient to pay the Costs of completing the Construction of the Capital Improvement, and (ii) a certificate of an Authorized County Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Capital Improvement) of the Senior Obligations issued to finance such Capital Improvement have been or will be used to pay Costs of the Capital Improvement, indicating the amount of such proceeds and investment earnings; and (B) the then estimated Costs of the Construction of the Capital Improvement.

(f) All Senior Obligations (i) shall be senior in payment and priority to all Subordinate Obligations, Junior Subordinate Obligations, and all obligations described in the Master Indenture with respect to the creation of prior liens, (ii) shall be paid with the priority provided in the Master Indenture with respect to the application of Revenues, and (iii) shall be entitled to all of the benefits provided to Senior Obligations by the terms of the Indenture and any applicable Issuing Instrument.

(g) For purposes of complying with any of the requirements set forth in the Master Indenture relating to issuance of Senior Obligations, (1) any calculation of Aggregate Adjusted Annual Debt Service with respect to specified Obligations for any period of time shall be reduced by the amount of any Subsidy that the County expects to receive during such period of time relating to or in connection with such Obligations and (2) any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received or expected to be received by the County with respect to or in connection with the specified Obligations during such period of time.

Conditions to Issuance of Subordinate Obligations.

(a) Without satisfying the requirements of the Master Indenture described in subsection (e) below, the County may, at any time and from time to time, issue or enter into an Obligation which is a Qualified Swap, the Net Payments under which shall constitute Subordinate Obligations, provided that at the time of entering into such Swap (i) the Qualified Swap shall relate to a principal amount of Outstanding Subordinate Obligations or Subordinate Obligations issued or expected to be issued; (ii) the notional amount of the Qualified Swap shall not exceed the principal amount of the related Outstanding Subordinate Obligations or Subordinate Obligations expected to be issued; and (iii) the counterparty shall be a Qualified Counterparty.

(b) The County may, at any time and from time to time, issue Refunding Subordinate Obligations provided that either: (i) the requirements of the Master Indenture described in subsection (e) below are satisfied upon the issuance of such Refunding Subordinate Obligations and the application of the proceeds thereof; or (ii) the Trustee has received a certificate of an Authorized County Representative certifying that the Aggregate Adjusted Annual Debt Service for all Obligations to be Outstanding after the issuance of such Refunding Subordinate Obligations shall not exceed the Aggregate Adjusted Annual Debt Service for all Obligations Outstanding immediately prior to the issuance of such Refunding Subordinate Obligations in each Test Year.

(c) Without satisfying the requirements of the Master Indenture described in subsection (b) above or subsection (e) below, the County may issue the Series 2008 Subordinate Bonds.

(d) Without satisfying the requirements of the Master Indenture described in subsection (e) below, the County may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Reimbursement Obligations with respect to Subordinate Obligations.

(e) The County may, at any time and from time to time, issue any Additional Subordinate Obligations, provided:

(i) an Authorized County Representative or an Airport Consultant has provided to the Trustee a certificate stating that Net Revenues for either the most recent Fiscal Year for which audited financial statements of the Airport System are available or any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the month of issuance of the proposed Additional Subordinate Obligations were sufficient to satisfy the rate covenant set forth in the Master Indenture for each of the next five full Fiscal Years following issuance of the Additional Subordinate Obligations, or each of the next two full Fiscal Years from the issuance of the Additional Subordinate Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Subordinate Obligations; or

(ii) an Airport Consultant has provided to the Trustee a certificate stating that, based upon assumptions the Person signing the certificate deems reasonable, projected Net Revenues will be sufficient to satisfy the rate covenant set forth in the Master Indenture for each of the next five full Fiscal Years following issuance of the Additional Subordinate Obligations, or each of the next two full Fiscal Years from issuance of the Additional Subordinate Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Subordinate Obligations.

For purposes of (e)(i) and (ii) above, the Person signing the certificate required by such clause may assume that, in each relevant Fiscal Year, Accrued Debt Service for Outstanding Obligations will equal Aggregate Adjusted Annual Debt Service for such Fiscal Year.

For purposes of (e)(i) above, the County shall be allowed to adjust Net Revenues for earnings arising from any increase in the rates, charges and fees for the use of the Airport System which has become effective prior to the issuance of such proposed Additional Subordinate Obligations but which, during the Fiscal Year or 12-month period utilized by the County for purposes of (e)(i) above, was not in effect for the entire Fiscal Year or 12-month period under consideration, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole Fiscal Year or 12-month period under consideration, as determined by an Authorized County Representative.

For purposes of (e)(ii) above, in estimating Net Revenues, the Person signing the certificate required by such clause may take into account (1) Revenues from Capital Improvements reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which has been approved by the Board and will be in effect during the period for which the estimates are provided or (3) any other increases in Revenues which the Person signing the certificate believes to be a reasonable assumption for such period. With respect to Operating Expenses of the County, the Person signing the certificate required by (e)(ii) above shall use such assumptions as such Person believes to be reasonable, taking into account: (i) historical Operating Expenses of the County, (ii) Operating Expenses associated with the Capital Improvements to be funded with the proceeds of the Additional Subordinate Obligations proposed to be issued and any other new Capital Improvements and Airport System facilities and (iii) such other factors, including inflation and changing operations or policies of the County, as the Person signing such certificate believes to be appropriate. The Person signing the certificate required by (e)(ii) above shall include in such certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Adjusted Annual Debt Service, which calculations may be based upon information provided by the County.

For purposes of preparing the certificate or certificates described above, the Authorized County Representative or Airport Consultant, as applicable, may rely upon financial statements prepared by the County which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized County Representative shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with Generally Accepted Accounting Principles.

Neither of the certificates described under (e)(i) or (e)(ii) above shall be required if the proceeds of Additional Subordinate Obligations being issued will be used to pay Costs of completing the Construction of a Capital Improvement for which Subordinate Obligations have previously been issued and the principal amount of such Additional Subordinate Obligations being issued for completion purposes does not exceed an amount equal to 10% of the principal amount of the Subordinate Obligations originally issued for such Capital Improvement as shown in a written certificate of an Authorized County Representative and there is delivered to the Trustee (i) a certificate of an Authorized County Representative or an Airport Consultant stating that the nature and purpose of such Capital Improvement has not materially changed and that the proceeds of such Additional Subordinate Obligations plus any other moneys in the Construction Fund available to pay the Costs of such Capital Improvement are expected to be sufficient to pay the Costs of completing the Construction of the Capital Improvement, and (ii) a certificate of an Authorized County Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Capital Improvement) of the Subordinate Obligations issued to finance such Capital Improvement have been or will be used to pay Costs of the Capital Improvement, indicating the amount of such proceeds and investment earnings; and (B) the then estimated Costs of the Construction of the Capital Improvement.

(f) All Subordinate Obligations shall be junior in payment and priority to all Senior Obligations. Subordinate Obligations shall be paid in the priority set forth in the Master Indenture with respect to the application of Revenues, and only to the extent that funds are available to make such payments as provided therein after the required payments are made with respect to the Senior Obligations. Any exercise of rights or remedies by any holder, owner, or beneficial owner of a Subordinate Obligation, or the Trustee on behalf of the foregoing, and all Subordinate Obligations shall be subject to the limitations imposed on Subordinate Obligations by the terms of the Indenture and any applicable Issuing Instrument.

(g) For purposes of complying with any of the requirements of the Master Indenture relating to issuance of Subordinate Obligations, (1) any calculation of Aggregate Adjusted Annual Debt Service with respect to specified Obligations for any period of time shall be reduced by the amount of any Subsidy that the County expects to receive during such period of time relating to or in connection with such Obligations and (2) any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received or expected to be received by the County with respect to or in connection with the specified Obligations during such period of time.

Conditions to Issuance of Junior Subordinate Obligations. The County may, at any time or from time to time, issue Junior Subordinate Obligations without satisfying the requirements of the Master Indenture with respect to conditions to the issuance of Senior or Subordinate Obligations for any purpose in connection with the Airport System, including, without limitation, the financing of all or a portion of the Costs of any Capital Improvement and/or the refunding of all or any portion of any Outstanding Obligations and/or for any other lawful purpose.

All Junior Subordinate Obligations shall be junior in payment and priority to all Subordinate Obligations and Senior Obligations. Junior Subordinate Obligations shall be paid in the priority set forth in the Master Indenture with respect to the application of Revenues, and only to the extent that funds are available to make such payments as provided therein after the required payments are made with respect to the Senior Obligations and the Subordinate Obligations. Any exercise of rights or remedies by any holder, owner, or beneficial owner of a Junior Subordinate Obligation, or the Trustee on behalf of the foregoing, and all Junior Subordinate Obligations shall be subject to the limitations imposed on Junior Subordinate Obligations by the terms of the Indenture and any applicable Issuing Instrument.

Special Facilities and Special Facility Obligations. The County shall be permitted to designate new or existing Airport System facilities as Special Facilities as permitted in the Master Indenture as described under this caption "Special Facilities and Special Facility Obligations." The County may, from time to time, and subject to the terms and conditions described under this caption (i) designate a separately identifiable existing facility or planned facility as a "Special Facility," (ii) pursuant to an Issuing Instrument and without a pledge of any Net Revenues, incur Obligations for the purpose of financing and/or refinancing Constructing, renovating, or improving, or providing financing and/or refinancing to a third party to Construct, renovate or improve, such Special Facility, (iii) provide that certain of the contractual payments derived from such Special Facility, together with other income and revenues available to the County from such Special Facility to the extent necessary to make the payments required by the Master Indenture, be "Special Facility Revenue" and not included as Revenues or Net Revenues, and (iv) provide that the Obligations so incurred shall be "Special Facility Obligations" and the principal of and interest thereon and other amounts payable with respect thereto shall be payable solely from the Special Facility Revenue. The County may from time to time refinance any such Special Facility Obligations with other Special Facility Obligations.

Special Facility Obligations shall be payable as to principal, redemption premium, if any, and interest and other amounts due with respect to such Special Facility Obligations solely from the Special Facility Revenue related to the Special Facility financed and/or refinanced with such Special Facility Obligations, which shall include contractual payments derived by the County under and pursuant to a contract (which may be in the form of a lease) relating to a Special Facility by and between the County and another Person, either public or private, as shall undertake the operation of such Special Facility.

No Special Facility Obligations shall be issued by the County unless there shall have been filed with the Trustee a certificate of an Authorized County Representative stating that:

(i) The Special Facility Revenue required to be paid by the third party operating the Special Facility and pledged to the payment of obligations relating to the Special Facility will be at least sufficient to pay as and when the same become due: (A) the principal of and interest on such Special Facility Obligations, (B) all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the County and (C) all sinking fund, reserve or other payments required by the Issuing Instrument relating to the Special Facility Obligations; and

(ii) With respect to the designation of any separately identifiable existing Airport System facility or Airport System facilities as a "Special Facility" or "Special Facilities", the County has qualified all Revenues from such Airport System facility or Airport System facilities as Released Revenues; and

(iii) No Event of Default has occurred and is continuing.

To the extent Special Facility Revenue received by the County during any Fiscal Year shall exceed the amounts required to be paid pursuant to the Master Indenture with respect to Special Facility Obligations for such Fiscal Year, such excess Special Facility Revenue, to the extent not otherwise encumbered or restricted, shall constitute Revenues.

Notwithstanding any other provision of the Master Indenture described under this subheading, at such time as the Special Facility Obligations issued for a Special Facility including Special Facility Obligations issued to refinance Special Facility Obligations are fully paid or otherwise discharged, all revenues of the County from such facility shall be included as Revenues.

Special Facility Obligations shall be in compliance with the provisions of the Indenture if such Special Facility Obligations are issued in accordance with the provisions of the Master Indenture described under this subheading and compliance with other provisions of the Master Indenture described under this heading "Authorization and Issuance of Bonds and Obligations" is not required.

Obligations Secured by Other Revenues. The County may, from time to time, incur Obligations payable solely from certain revenues of the Airport System which do not constitute Revenues other than Special Facility Obligations at such times and upon such terms and conditions as the County shall determine; provided that such Obligations shall specifically include a provision that payment of such Obligations is neither secured by nor payable from the Trust Estate or any part thereof.

Released Revenues. The County may cause a category of income, receipts or other revenues then included in the definition of "Revenues" to be excluded from such definition for all purposes of the Indenture, which exclusion shall be effective from the date the County satisfies the conditions of the Master Indenture, by filing the following with the Trustee:

(a) a written request from an Authorized Airport Representative to release such category of income, receipts and other revenues from the definition of Revenues, accompanied by a written certificate of an Authorized Airport Representative certifying the County is in compliance with all requirements of the Indenture;

(b) a certificate of an Authorized Airport Representative or a report of an Independent Certified Public Accountant to the effect that Net Revenues, excluding the category of Revenues proposed to become Released Revenues and any corresponding Released Revenues Related Expenses, for each of the two Fiscal Years for which audited financial statements are available immediately preceding the date of such certificate or report, were sufficient to satisfy the rate covenant set forth in the Master Indenture for each of the two such Fiscal Years, assuming that 150% (instead of 125%) was used in the rate covenant set forth in the Master Indenture with respect to Outstanding Senior Obligations, 125% (instead of 110%) was used in the rate covenant set forth in the Master Indenture with respect to Outstanding Senior Obligations and Subordinate Obligations and 110% (instead of 100%) was used in the rate covenant set forth in the Master Indenture with respect to all Outstanding Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations;

(c) a certificate of an Authorized Airport Representative or an Airport Consultant retained by the County to the effect that based upon current knowledge of the operations of the Airport System, Net

Revenues, excluding the category of Revenues proposed to become Released Revenues and any corresponding Released Revenues Related Expenses, for the current Fiscal Year (and the preceding Fiscal Year if such year is not included in certificate required by paragraph (b) above) are expected to be sufficient to satisfy the rate covenant set forth in the Master Indenture for such Fiscal Year, assuming that 150% (instead of 125%) was used in the rate covenant set for in the Master Indenture with respect to Outstanding Senior Obligations, 125% (instead of 110%) was used in the rate covenant set forth in the Master Indenture with respect to Outstanding Senior Obligations and Subordinate Obligations and 110% (instead of 100%) was used in the rate covenant set forth in the Master Indenture with respect to all Outstanding Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations; and

(d) a Rating Confirmation in connection with the withdrawal of the category of income, receipts and other revenues proposed to become Released Revenues.

Notwithstanding the provisions in the Master Indenture relating to Released Revenues or anything to the contrary contained in the Indenture, the County may, at any time, cause all or any portion of any Released Revenues to be included in the definition of "Revenues" in the Master Indenture for all purposes of the Indenture (and thereby also include any corresponding Released Revenues Related Expenses in the definition of "Operating Expenses" in the Master Indenture for all purposes of the Indenture), which inclusion shall become effective when the County files with the Trustee a written request from an Authorized Airport Representative to include such Released Revenues in the definition of Revenues contained in the Master Indenture.

Establishment and Application of Funds

Establishment of Funds and Accounts. The following Funds and Accounts are established and to be held by the County pursuant to the Master Indenture: (a) Construction Fund, (b) Revenue Fund, (c) Operating Fund, including the Operating Reserve Account therein, (d) Rebate Fund, (e) Reserve and Contingency Fund, and (f) Capital Improvement Fund. The following Funds and Accounts are established and to be held by the Trustee pursuant to the Master Indenture: (a) Senior Debt Service Fund, (b) Senior Debt Service Reserve Fund, (c) Subordinate Debt Service Fund, (d) Subordinate Debt Service Reserve Fund, and (e) Junior Subordinate Fund.

Revenues and Revenue Fund. All Revenues shall be promptly deposited upon receipt thereof to the credit of the Revenue Fund and applied as provided in the Master Indenture. The County may also from time to time, in its sole discretion and without any obligation to do so, deposit funds from any available source into the Revenue Fund.

Application of Revenues. As soon as practicable in each month, but in any case no later than the first Business Day of such month, the County shall withdraw moneys from the Revenue Fund and apply such moneys to the deposits and payments indicated below, in the amounts and in the priority set forth below. In the event there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments shall be made in the priority of the lettered paragraphs below. In the event any of the lettered paragraphs below requires more than one such deposit or payment and there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments shall be made pro rata (based on the total amount of such deposits and payments then due) to the extent of available moneys.

(a) First, to the Operating Fund the amount which, together with any amount therein available to pay such Operating Expenses (other than amounts in the Operating Reserve Account), is equal to the total amount appropriated for Operating Expenses in such month pursuant to the then current Annual Budget.

(b) Second:

(i) to the Senior Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the Accrued Debt Service on all Outstanding Senior Bonds as of the last day of such month;

(ii) to the extent not included in Debt Service on Senior Bonds, to each Credit Provider of a Credit Support Instrument relating to the Senior Bonds, the amount of the Reimbursement Obligation, if any, payable by the County as of the last day of such month in accordance with each applicable Credit Support Agreement;

(iii) to each Qualified Counterparty, the amount of Net Payments, if any, payable by the County as of the last day of such month in accordance with each applicable Qualified Swap relating to the Senior Obligations; and

(iv) to the applicable trustee or paying agent for, or owner or payee of, Outstanding Senior Obligations not specified above in this subparagraph (b), the amount, if any, required to be paid during such month to such trustee, paying agent, owner or payee as and to the extent required by the Supplemental Indentures or Issuing Instruments for payment of such Outstanding Senior Obligations.

(c) Third:

(i) subject to the provisions of the Master Indenture described under the caption "Senior Debt Service Reserve Fund" below, to the Senior Debt Service Reserve Fund the amount, if any, required to maintain the Senior Debt Service Reserve Fund at the applicable Senior Debt Service Reserve Requirement; provided that the maximum amount required to be deposited into the Senior Debt Service Reserve Fund in any month shall not exceed one-twelfth (1/12) of the applicable Senior Debt Service Reserve Requirement; and

(ii) to each Senior Series Debt Service Reserve Fund, the amount, if any, required to be paid during such month pursuant to the applicable Supplemental Indenture to maintain each Senior Series Debt Service Reserve Fund at the amount required by such Supplemental Indenture;

(iii) to the applicable trustee or paying agent for, or owner of, Outstanding Senior Obligations other than Senior Bonds, the amount, if any, required to be paid during such month to such trustee, paying agent or owner pursuant to the Issuing Instruments for such Outstanding Senior Obligations to maintain each debt service reserve for such Outstanding Senior Obligations at the amount required by the applicable Issuing Instrument; and

(iv) to each Reserve Guaranty Provider relating to Senior Obligations, the amount, if any, payable by the County as of the last day of such month in accordance with each applicable Reserve Guaranty Agreement.

(d) Fourth, to the Rebate Fund, the amount required to be paid for Senior Obligations pursuant to the Rebate Instructions.

(e) Fifth:

(i) to the Subordinate Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the Accrued Debt Service on all Outstanding Subordinate Bonds as of the last day of such month;

(ii) to the extent not included in Debt Service on Subordinate Bonds, to each Credit Provider of a Credit Support Instrument relating to the Subordinate Bonds, the amount of the Reimbursement Obligation, if any, payable by the County as of the last day of such month in accordance with each applicable Credit Support Agreement;

(iii) to each Qualified Counterparty, the amount of Net Payments, if any, payable by the County as of the last day of such month in accordance with each applicable Qualified Swap relating to the Subordinate Obligations or investments in funds established by the Master Indenture;

(iv) to the applicable trustee or paying agent for, or owner or payee of, Outstanding Subordinate Obligations not specified above in this subparagraph (e), the amount, if any, required to be paid during such month to such trustee, paying agent, owner or payee as and to the extent required by the Supplemental Indentures or Issuing Instruments for payment of such Outstanding Subordinate Obligations; and

(v) to each Qualified Counterparty, the balance of the amounts to be paid by the County, if any, as of the last day of such month in accordance with each applicable Qualified Swap relating to Senior Obligations, including any Termination Payments.

(f) Sixth:

(i) subject to the provisions of the Master Indenture described below under the caption "Subordinate Debt Service Reserve Fund", to the Subordinate Debt Service Reserve Fund the amount, if any, required to maintain the Subordinate Debt Service Reserve Fund at the applicable Subordinate Debt Service Reserve Requirement; provided that the maximum amount required to be deposited into the Subordinate Debt Service Reserve Fund in any month shall not exceed one-twelfth (1/12) of the applicable Subordinate Debt Service Reserve Requirement;

(ii) to each Subordinate Series Debt Service Reserve Fund, the amount, if any, required to be paid during such month pursuant to the applicable Supplemental Indenture to maintain each Subordinate Series Debt Service Reserve Fund at the amount required by such Supplemental Indenture;

(iii) to the applicable trustee or paying agent for, or owner of, Outstanding Subordinate Obligations other than Subordinate Bonds, the amount, if any, required to be paid during such month to such trustee, paying agent or owner pursuant to the Issuing Instruments for such Outstanding Subordinate Obligations to maintain each debt service reserve for such Outstanding Subordinate Obligations at the amount required by the applicable Issuing Instrument; and

(iv) to each Reserve Guaranty Provider relating to Subordinate Obligations, the amount, if any, payable by the County as of the last day of such month in accordance with each applicable Reserve Guaranty Agreement.

(g) Seventh, to the Rebate Fund, the amount required to be paid for Subordinate Obligations pursuant to the Rebate Instructions.

(h) Eighth, to the Operating Reserve Account one-twelfth (1/12) of the Operating Reserve Requirement, but only to the extent such deposit is required to make the amount on deposit in the Operating Reserve Account equal to the Operating Reserve Requirement.

(i) Ninth, to the Junior Subordinate Fund, the amount, if any, required to be paid during such month with respect to Junior Subordinate Obligations pursuant to the Master Indenture.

(j) Tenth, to the Rebate Fund, the amount required to be paid for Junior Subordinate Obligations pursuant to the Rebate Instructions.

(k) Eleventh, to the Reserve and Contingency Fund an amount equal to the greater of (x) one-twelfth (1/12th) of $2,000,000 or (y) the amount, if any, provided for deposit therein during such month pursuant to the then-current Annual Budget, but only to the extent such deposit is required to make the amount on deposit in the Reserve and Contingency Fund equal to the Reserve and Contingency Requirement.

(l) Twelfth, on the last Business Day of each month after making the deposits and payments required by the Master Indenture as described in subsection (a) through subsection (k), the County may withdraw from the Revenue Fund and deposit in the Capital Improvement Fund the balance, if any, of moneys remaining in the Revenue Fund.

Operating Fund. Moneys from the proceeds of Obligations may be deposited in the Operating Reserve Account or otherwise set aside in the Operating Fund as working capital or a reserve for working capital as specified in a Supplemental Indenture or Issuing Instrument.

Amounts in the Operating Fund (other than amounts in the Operating Reserve Account, except as described in subsection (d)) shall be paid out from time to time by the County for reasonable and necessary Operating Expenses.

Amounts in the Operating Fund which the County at any time determines to be in excess of the requirements of such Fund shall be transferred to the Revenue Fund and applied in accordance with the Master Indenture.

Amounts in the Operating Reserve Account shall be paid out from time to time by the County for reasonable and necessary Operating Expenses in the event that other moneys in the Operating Fund available for such purpose are insufficient therefor.

Senior Debt Service Fund. The Trustee shall apply the moneys in the Senior Debt Service Fund to the payment of the following: (i) on or before each Interest Payment Date for any of the Outstanding Senior Bonds the amount required for the interest payable on such date; (ii) on or before each due date therefor, the principal and, to the extent included in Debt Service, the Purchase Price of, Outstanding Senior Bonds payable on such due date; (iii) on or before each redemption date for Outstanding Senior Bonds, the amount required for the payment of the Redemption Price and any accrued interest on the Senior Bonds then to be redeemed; and (iv) upon receipt of a written request signed by an Authorized County Representative, to the respective Credit Providers, on each date a Reimbursement Obligation relating to Senior Bonds is due pursuant to a Credit Support Agreement, the amount of such Reimbursement Obligation to the extent not included in Debt Service on Senior Bonds and not otherwise paid as Operating Expenses. Amounts received by the Paying Agents pursuant to the provisions of the Master Indenture described in this subsection shall be applied by Paying Agents to the payment of the principal, Redemption Price or Purchase Price, as applicable, of, and interest on, the Senior Bonds on and after the due dates thereof.

Amounts accumulated in the Senior Debt Service Fund with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Senior Bonds for which such Sinking Fund Installment was established) may, and if so directed in writing by an Authorized County Representative shall, be applied by the Trustee, on or prior to the sixtieth (60^{th}) day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Senior Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (ii) the optional redemption at not exceeding the applicable sinking fund Redemption Price of such Senior Bonds, if such Senior Bonds are then subject to redemption at the option by the County. All purchases of any Senior Bonds pursuant to the Master Indenture as described in this subsection shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Senior Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed by an Authorized County Representative. The applicable sinking fund Redemption Price (or principal of maturing Senior Bonds) of any Senior Bonds so purchased or redeemed shall be deemed to constitute part of the Senior Debt Service Fund until such Sinking Fund Installment due date, for the purpose of calculating the amount of such Fund. If directed in writing by an Authorized County Representative on or prior to the forty-fifth (45^{th}) day next preceding a Sinking Fund Installment due date, there shall be applied as a credit against such Sinking Fund Installment, and there shall be deemed to constitute part of the Senior Debt Service Fund until such Sinking Fund Installment due date for the purpose of calculating the amount of such Fund, the principal of any Senior Bonds of the Series and maturity for which such Sinking Fund Installment was established which have been purchased or redeemed and cancelled or delivered to the Trustee for cancellation on or prior to the forty-fifth (45^{th}) day next preceding such Sinking Fund Installment due date and not previously applied as a credit against a Sinking Fund Installment. As soon as practicable after the forty-fifth (45^{th}) day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date, by giving notice as provided in the Master Indenture, Senior Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Senior Bonds maturing on a Sinking Fund Installment due date) in such amount as shall be necessary to complete the retirement of Senior Bonds from the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Senior Debt Service Fund, on or before such redemption date (or maturity date), the amount required for the redemption of the Senior Bonds so called for redemption (or for the payment of such Senior Bonds then maturing). All expenses in connection with the purchase or redemption of Senior Bonds may be paid from the Operating Fund.

The amount, if any, deposited in the Senior Debt Service Fund from the proceeds of each Series of Senior Bonds as Capitalized Interest shall be set aside in such Fund and applied to the payment of interest on Senior Bonds as provided in the Supplemental Indenture relating to such Series of Senior Bonds and shall not be included as amounts in the Senior Debt Service Fund in any month except to the extent that such Capitalized Interest is to pay interest on Senior Bonds for such month.

In the event of the refunding of one or more Senior Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized County Representative, withdraw from the Senior Debt Service Fund amounts accumulated therein with respect to Debt Service on the Senior Bonds (or portions thereof) being refunded, and deposit such amounts with itself as Trustee or with an Escrow Agent specified by an Authorized County Representative, to be held for the payment of the principal or Redemption Price, as applicable, of, and interest on, the Senior Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Senior Bonds (or portions thereof) being refunded shall be deemed to have been paid, and (b) the amount remaining in the Senior Debt Service Fund after such withdrawal shall not be less than the requirement of such Fund.

Any provision of the Master Indenture to the contrary notwithstanding, so long as there shall be held in the Senior Debt Service Fund an amount sufficient to pay in full all Outstanding Senior Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Senior Debt Service Fund.

In determining the amount on deposit in the Senior Debt Service Fund, there shall be excluded from the balance of said Fund any Capitalized Interest with respect to interest on Senior Bonds accruing after the last day of such month and the amount, if any, set aside in said Fund for the payment of Debt Service on Senior Bonds which is then due and payable.

Senior Debt Service Reserve Fund. If on the Business Day immediately preceding an Interest Payment Date for the Participating Senior Bonds, or any other date on which any principal or interest on the Outstanding Participating Senior Bonds is due, after applying amounts in the Senior Debt Service Fund ratably (based on the amounts due) to the payment of the principal and interest then due with respect to all Outstanding Senior Bonds, the amount in the Senior Debt Service Fund available for payment of the principal and interest then due with respect to all Outstanding Participating Senior Bonds is less than the amount due on such date, the Trustee shall apply amounts in the Senior Debt Service Reserve Fund ratably (based on amounts due) to the extent necessary to make good the deficiency for the principal and interest then due with respect to the Outstanding Participating Senior Bonds.

Except as provided in the fourth paragraph under this caption "Senior Debt Service Reserve Fund," if on the last Business Day of any month the amount on deposit in the Senior Debt Service Reserve Fund shall exceed the applicable Senior Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of each drawing on a Reserve Guaranty credited to such Fund (to the extent not reimbursed upon the reinstatement of such Reserve Guaranty pursuant to the fifth paragraph under this caption) and to the payment of interest or other amounts due with respect to any Reserve Guaranty credited to such Fund and any remaining moneys shall be deposited in the Senior Debt Service Fund.

Whenever the amount in the Senior Debt Service Reserve Fund and all Senior Series Debt Service Reserve Funds (excluding Reserve Guaranties), together with the amount available therefor in the Senior Debt Service Fund, is sufficient to pay in full all Outstanding Senior Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Senior Debt Service Reserve Fund and all Senior Series Debt Service Reserve Funds shall be transferred to the Senior Debt Service Fund and applied to the payment of the Outstanding Senior Bonds (including principal or applicable Redemption Price and interest thereon).

In the event of the refunding, purchase or redemption of one or more Participating Senior Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized County Representative, withdraw from the Senior Debt Service Reserve Fund any or all of the amounts on deposit therein (excluding Reserve Guaranties) and deposit such amounts with itself as Trustee or with the Escrow Agent to be held for the payment of the principal or Redemption Price of, and interest on, the Participating Senior Bonds (or portions thereof) being refunded, purchased or redeemed; provided that such withdrawal shall not be made unless immediately thereafter the amount remaining in the Senior Debt Service Reserve Fund after such withdrawal, taking into account any deposits to be made in the Senior Debt Service Reserve Fund in connection with such refunding, purchase or redemption, shall not be less than the Senior Debt Service Reserve Requirement for the Participating Senior Bonds to be Outstanding upon such refunding, purchase or redemption.

In lieu of the deposits and transfers to the Senior Debt Service Reserve Fund required by the Master Indenture, the County may cause to be deposited in the Senior Debt Service Reserve Fund a Reserve Guaranty or Reserve Guaranties in an aggregate amount equal to the difference between the applicable Senior Debt Service Reserve Requirement and the sums, if any, then on deposit in the Senior Debt Service Reserve Fund or being deposited in the Senior Debt Service Reserve Fund concurrently with such Reserve Guaranty or Guaranties.

In computing the amount on deposit in the Senior Debt Service Reserve Fund, a Reserve Guaranty shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Guaranties credited to the Senior Debt Service Reserve Fund to receive payments with respect to the Reserve Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys will be required to be withdrawn from the Senior Debt Service Reserve Fund and applied to the payment of principal or interest on, any Participating Senior Bonds and such withdrawal cannot be met by moneys on deposit in the Senior Debt Service Reserve Fund; (ii) unless such Reserve Guaranty expires on the final maturity date for the Outstanding Participating Senior Bonds, on the first Business Day which is at least thirty (30) days prior to the expiration date of each Reserve Guaranty, in an amount equal to the deficiency which would exist in the Senior Debt Service Reserve Fund if the Reserve Guaranty expired, unless a substitute Reserve Guaranty with an expiration date not earlier than one hundred eighty (180) days after the expiration date of the expiring Reserve Guaranty (or the final maturity date of the Outstanding Participating Senior Bonds, if sooner) is delivered to the Trustee prior to such date or the County deposits funds in the Senior Debt Service Reserve Fund on or before such date such that the amount in the Senior Debt Service Reserve Fund on such date (without regard to such expiring Reserve Guaranty) is at least equal to the applicable Senior Debt Service Reserve Requirement.

If at any time a Reserve Guaranty is delivered pursuant to the Master Indenture as described in this subparagraph there shall be any amount in the Senior Debt Service Reserve Fund in excess of the applicable Senior Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Guaranty and, to the extent not so applied, shall be applied to either: (i) the purchase or redemption of Participating Senior Bonds as directed in writing by an Authorized County Representative (other than amounts due for interest on such purchase or redemption which shall be paid from amounts accumulated in the Senior Debt Service Fund with respect to such interest or other available funds); or (ii) any lawful purpose as directed by an Authorized County Representative if the County delivers to the Trustee a Favorable Opinion of Bond Counsel with respect to such application.

If a disbursement is made pursuant to a Reserve Guaranty credited to the Senior Debt Service Reserve Fund, the County shall be obligated either (i) to reinstate the maximum limits of such Reserve Guaranty or (ii) to deposit into the Senior Debt Service Reserve Fund funds in the amount of the disbursement made under such Reserve Guaranty, or a combination of such alternatives, as shall provide that the amount in the Senior Debt Service Reserve Fund equals the applicable Senior Debt Service Reserve Requirement; provided, however, that to the extent a Reserve Guaranty will be reinstated so that the amount in the Senior Debt Service Reserve Fund (including Reserve Guarantees) shall equal the applicable Senior Debt Service Reserve Requirement, amounts in the Senior Debt Service Reserve Fund in excess of the applicable Senior Debt Service Reserve Requirement shall be applied to the reimbursement of drawings under a Reserve Guaranty.

Subordinate Debt Service Fund. The Trustee shall apply the moneys in the Subordinate Debt Service Fund to the payment of the following: (i) on or before each Interest Payment Date for any of the Outstanding Subordinate Bonds the amount required for the interest payable on such date; (ii) on or before each due date therefor, the principal and, to the extent included in Debt Service, the Purchase Price of, Outstanding Subordinate Bonds payable on such due date; (iii) on or before each redemption date for Outstanding Subordinate Bonds, the amount required for the payment of the Redemption Price and any accrued interest on the Subordinate Bonds then to be redeemed; and (iv) upon receipt of a written request signed by an Authorized County Representative, to the respective Credit Providers, on each date a Reimbursement Obligation relating to Subordinate Bonds is due pursuant to a Credit Support Agreement, the amount of such Reimbursement Obligation to the extent not included in Debt Service on Subordinate Bonds and not otherwise paid as Operating Expenses. Amounts received by the Paying Agents pursuant to the Master Indenture as described in this subsection shall be applied by Paying Agents to the payment of the principal, Redemption Price or Purchase Price, as applicable, of, and interest on, the Subordinate Bonds on and after the due dates thereof.

Amounts accumulated in the Subordinate Debt Service Fund with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Subordinate Bonds for which such Sinking Fund Installment was established) may, and if so directed in writing by an

Authorized County Representative shall, be applied by the Trustee, on or prior to the sixtieth (60th) day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Subordinate Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (ii) the optional redemption at not exceeding the applicable sinking fund Redemption Price of such Subordinate Bonds, if such Subordinate Bonds are then subject to redemption at the option by the County. All purchases of any Subordinate Bonds pursuant to the Master Indenture as described in this subsection shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Subordinate Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed by an Authorized County Representative. The applicable sinking fund Redemption Price (or principal of maturing Subordinate Bonds) of any Subordinate Bonds so purchased or redeemed shall be deemed to constitute part of the Subordinate Debt Service Fund until such Sinking Fund Installment due date, for the purpose of calculating the amount of such Fund. If directed in writing by an Authorized County Representative on or prior to the forty-fifth (45th) day next preceding a Sinking Fund Installment due date, there shall be applied as a credit against such Sinking Fund Installment, and there shall be deemed to constitute part of the Subordinate Debt Service Fund until such Sinking Fund Installment due date for the purpose of calculating the amount of such Fund, the principal of any Subordinate Bonds of the Series and maturity for which such Sinking Fund Installment was established which have been purchased or redeemed and cancelled or delivered to the Trustee for cancellation on or prior to the forty-fifth (45th) day next preceding such Sinking Fund Installment due date and not previously applied as a credit against a Sinking Fund Installment. As soon as practicable after the forty-fifth (45th) day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date, by giving notice as provided in the Master Indenture, Subordinate Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Subordinate Bonds maturing on a Sinking Fund Installment due date) in such amount as shall be necessary to complete the retirement of Subordinate Bonds from the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Subordinate Debt Service Fund, on or before such redemption date (or maturity date), the amount required for the redemption of the Subordinate Bonds so called for redemption (or for the payment of such Subordinate Bonds then maturing). All expenses in connection with the purchase or redemption of Subordinate Bonds may be paid from the Operating Fund.

The amount, if any, deposited in the Subordinate Debt Service Fund from the proceeds of each Series of Subordinate Bonds as Capitalized Interest shall be set aside in such Fund and applied to the payment of interest on Subordinate Bonds as provided in the Supplemental Indenture relating to such Series of Subordinate Bonds and shall not be included as amounts in the Subordinate Debt Service Fund in any month except to the extent that such Capitalized Interest is to pay interest on Subordinate Bonds for such month.

In the event of the refunding of one or more Subordinate Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized County Representative, withdraw from the Subordinate Debt Service Fund amounts accumulated therein with respect to Debt Service on the Subordinate Bonds (or portions thereof) being refunded, and deposit such amounts with itself as Trustee or with an Escrow Agent specified by an Authorized County Representative, to be held for the payment of the principal or Redemption Price, as applicable, of, and interest on, the Subordinate Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Subordinate Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to the Master Indenture, and (b) the amount remaining in the Subordinate Debt Service Fund after such withdrawal shall not be less than the requirement of such Fund.

Any provision of the Master Indenture to the contrary notwithstanding, so long as there shall be held in the Subordinate Debt Service Fund an amount sufficient to pay in full all Outstanding Subordinate Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Subordinate Debt Service Fund.

In determining the amount on deposit in the Subordinate Debt Service Fund, there shall be excluded from the balance of said Fund any Capitalized Interest with respect to interest on Subordinate Bonds accruing after the last day of such month and the amount, if any, set aside in said Fund for the payment of Debt Service on Subordinate Bonds which is then due and payable.

Subordinate Debt Service Reserve Fund. If on the Business Day immediately preceding an Interest Payment Date for the Participating Subordinate Bonds, or any other date on which any principal or interest on, the Outstanding Participating Subordinate Bonds is due, after applying amounts in the Subordinate Debt Service Fund ratably (based on the amounts due) to the payment of the principal and interest then due with respect to all Outstanding Subordinate Bonds, the amount in the Subordinate Debt Service Fund available for payment of the principal and interest then due with respect to all Outstanding Participating Subordinate Bonds is less than the amount due on such date, the Trustee shall apply amounts in the Subordinate Debt Service Reserve Fund ratably (based on amounts due) to the extent necessary to make good the deficiency for the principal and interest then due with respect to the Outstanding Participating Subordinate Bonds.

Except as provided in the fourth paragraph under this caption "Subordinate Debt Service Reserve Fund," if on the last Business Day of any month the amount on deposit in the Subordinate Debt Service Reserve Fund shall exceed the applicable Subordinate Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of each drawing on a Reserve Guaranty credited to such Fund (to the extent not reimbursed upon the reinstatement of such Reserve Guaranty pursuant to the Master Indenture as described in the fifth paragraph under this caption) and to the payment of interest or other amounts due with respect to any Reserve Guaranty credited to such Fund and any remaining moneys shall be deposited in the Subordinate Debt Service Fund.

Whenever the amount in the Subordinate Debt Service Reserve Fund and all Subordinate Series Debt Service Reserve Funds (excluding Reserve Guaranties), together with the amount available therefor in the Subordinate Debt Service Fund, is sufficient to pay in full all Outstanding Subordinate Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Subordinate Debt Service Reserve Fund and all Subordinate Series Debt Service Reserve Funds shall be transferred to the Subordinate Debt Service Fund and applied to the payment of the Outstanding Subordinate Bonds (including principal or applicable Redemption Price and interest thereon).

In the event of the refunding, purchase or redemption of one or more Participating Subordinate Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized County Representative, withdraw from the Subordinate Debt Service Reserve Fund any or all of the amounts on deposit therein (excluding Reserve Guaranties) and deposit such amounts with itself as Trustee or with the Escrow Agent to be held for the payment of the principal or Redemption Price of, and interest on, the Participating Subordinate Bonds (or portions thereof) being refunded, purchased or redeemed; provided that such withdrawal shall not be made unless immediately thereafter the amount remaining in the Subordinate Debt Service Reserve Fund after such withdrawal, taking into account any deposits to be made in the Subordinate Debt Service Reserve Fund in connection with such refunding, purchase or redemption, shall not be less than the Subordinate Debt Service Reserve Requirement for the Participating Subordinate Bonds to be Outstanding upon such refunding, purchase or redemption.

In lieu of the deposits and transfers to the Subordinate Debt Service Reserve Fund required by the Master Indenture, the County may cause to be deposited in the Subordinate Debt Service Reserve Fund a Reserve Guaranty or Reserve Guaranties in an aggregate amount equal to the difference between the applicable Subordinate Debt Service Reserve Requirement and the sums, if any, then on deposit in the Subordinate Debt Service Reserve Fund or being deposited in the Subordinate Debt Service Reserve Fund concurrently with such Reserve Guaranty or Guaranties.

In computing the amount on deposit in the Subordinate Debt Service Reserve Fund, a Reserve Guaranty shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Guaranties credited to the Subordinate Debt Service Reserve Fund to receive payments with respect to the Reserve Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys will be required to be withdrawn from the Subordinate Debt Service Reserve Fund and applied to the payment of principal or interest on, any Participating Subordinate Bonds and such withdrawal cannot be met by moneys on deposit in the Subordinate Debt Service Reserve Fund; (ii) unless such Reserve Guaranty expires on the final maturity date for the Outstanding Participating Subordinate Bonds, on the first Business Day which is at least thirty (30) days prior to the expiration date of each Reserve Guaranty, in an amount equal to the deficiency which would exist in the Subordinate Debt Service Reserve Fund if the Reserve Guaranty expired, unless a substitute Reserve Guaranty with an expiration date not earlier than one hundred eighty (180) days after the expiration date of the expiring Reserve Guaranty (or the final maturity date of the Outstanding Participating Subordinate Bonds, if sooner) is delivered to the Trustee prior to such date or the County deposits funds in the Subordinate Debt Service Reserve Fund on or before such date such that the amount in the Subordinate Debt Service Reserve Fund on such date (without regard to such expiring Reserve Guaranty) is at least equal to the applicable Subordinate Debt Service Reserve Requirement.

If at any time a Reserve Guaranty is delivered pursuant to the Master Indenture as described in this paragraph there shall be any amount in the Subordinate Debt Service Reserve Fund in excess of the applicable Subordinate Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Guaranty and, to the extent not so applied, shall be applied to either: (i) the purchase or redemption of Participating Subordinate Bonds as directed in writing by an Authorized County Representative (other than amounts due for interest on such purchase or redemption which shall be paid from amounts accumulated in the Subordinate Debt Service Fund with respect to such interest or other available funds); or (ii) any lawful purpose relating to the Airport System as directed by an Authorized County Representative if the County delivers to the Trustee a Favorable Opinion of Bond Counsel with respect to such application.

If a disbursement is made pursuant to a Reserve Guaranty credited to the Subordinate Debt Service Reserve Fund, the County shall be obligated either (i) to reinstate the maximum limits of such Reserve Guaranty or (ii) to deposit into the Subordinate Debt Service Reserve Fund, in accordance with the Master Indenture, funds in the amount of the disbursement made under such Reserve Guaranty, or a combination of such alternatives, as shall provide that the amount in the Subordinate Debt Service Reserve Fund equals the applicable Subordinate Debt Service Reserve Requirement; provided, however, that to the extent a Reserve Guaranty will be reinstated so that the amount in the Subordinate Debt Service Reserve Fund (including Financial Guarantees) shall equal the applicable Subordinate Debt Service Reserve Requirement, amounts in the Subordinate Debt Service Reserve Fund in excess of the applicable Subordinate Debt Service Reserve Requirement shall be applied to the reimbursement of drawings under a Reserve Guaranty.

Junior Subordinate Fund. The Trustee shall apply moneys in the Junior Subordinate Fund to the payment of the following:

(a) on or before each Interest Payment Date for any of the Outstanding Junior Subordinate Bonds the amount required for the interest payable on such date;

(b) on or before each due date therefor, the principal and, to the extent included in Debt Service, the Purchase Price of, Outstanding Junior Subordinate Bonds payable on such due date;

(c) on or before each redemption date for Outstanding Junior Subordinate Bonds, the amount required for the payment of the Redemption Price and any accrued interest on the Junior Subordinate Bonds then to be redeemed;

(d) to the respective Credit Providers, on each date a Reimbursement Obligation relating to Junior Subordinate Obligations is due pursuant to a Credit Support Agreement, the amount of such Reimbursement Obligation to the extent not otherwise paid as Debt Service on Junior Subordinate Obligations and not otherwise paid as Operating Expenses;

(e) to each Qualified Counterparty, the amount of Net Payments and Termination Payments, if any, payable by the County as of the last day of such month in accordance with each applicable Qualified Swap relating to the Junior Subordinate Bonds;

(f) to the applicable trustee or paying agent for, or owner of, Outstanding Junior Subordinate Obligations not otherwise paid above, the amount, if any, required to be paid during such month to such trustee, paying agent or owner as and to the extent required by the Issuing Instruments for payment of such Outstanding Subordinate Obligations;

(g) to the applicable trustee or paying agent for, or owner of, Outstanding Junior Subordinate Obligations, the amount, if any, required to be paid during such month to such trustee, paying agent or owner pursuant to the Supplemental Indentures or Issuing Instruments for such Outstanding Subordinate Obligations to maintain each debt service reserve for such Outstanding Subordinate Obligations at the amount required by the applicable Supplemental Indenture or Issuing Instrument;

(h) to each Reserve Guaranty Provider relating to Junior Subordinate Obligations, the amount, if any, payable by the County as of the last day of such month in accordance with each applicable Reserve Guaranty Agreement; and

(i) to the payment of any other payment due with respect to any Junior Subordinate Obligations.

Reserve and Contingency Fund. Amounts in the Reserve and Contingency Fund shall be applied to the cost of renewals, replacements, extensions, betterments and improvements to the Airport System, including, without limitation, any Capital Improvement. Amounts in the Reserve and Contingency Fund shall also be applied to the payment of operation and maintenance costs and contingencies for the Airport System including payments with respect to the prevention or correction of any unusual loss or damage in connection with the Airport System or to prevent a loss of revenue therefrom, all to the extent not scheduled to be paid from amounts in the Operating Fund pursuant to the then current Annual Budget.

No payments shall be made from the Reserve and Contingency Fund if and to the extent that the proceeds of insurance, including the proceeds of any self insurance fund, or other moneys recoverable as the result of damage to the Airport System, if any, are available to pay the costs otherwise payable from such Fund.

If on any date the amount in the Funds described in subsections (a) through (j) under the caption "Application of Revenues" above (after application of the Master Indenture with respect to the Capital Improvement Fund) shall be less than the requirement of such Fund and there shall not be on deposit in the Capital Improvement Fund available moneys sufficient to cure any such deficiency, then the Trustee shall transfer from the Reserve and Contingency Fund and deposit in the Funds in the order of priority described in the Master Indenture the amount necessary (or all the moneys in the Reserve and Contingency Fund if less than the amount necessary) to make up any such deficiency.

Any balance in the Reserve and Contingency Fund not required to meet any deficiencies in a Fund by the 10th day of a month or not needed for any of the purposes for which such Fund was established, shall be transferred to the Operating Fund, if and to the extent deemed necessary by the County and any remaining balance may be transferred to the Capital Improvement Fund.

Capital Improvement Fund. If on any date the amount in the Funds described in subsections (a) through (k) under the caption "Application of Revenues" above shall be less than the requirement of such Fund pursuant to the Master Indenture, then the County shall transfer from the Capital Improvement Fund and deposit the amount necessary (or all the moneys in the Capital Improvement Fund if less than the amount necessary) to make up any such deficiency. Amounts in the Capital Improvement Fund not required to meet deficiencies shall be used by the County for any lawful purpose.

Rebate Fund. When required in connection with a Series of Obligations pursuant to the Supplemental Indenture or Issuing Instrument relating to such Series of Obligations or the Tax Certificate, if any, relating to such Series of Obligations, there shall be established an Account within the Rebate Fund with respect to such Series of Obligations. Amounts on deposit in each Account in the Rebate Fund shall be applied as provided in Supplemental Indenture or Issuing Instrument pursuant to which Account was established and the Rebate Instructions relating to such Account.

Available Revenues. At any time and from time to time, the County and the Trustee, without the consent of the Owner of any Obligation and without the consent of any Credit Provider, may enter into a Supplemental Indenture or Issuing Instrument that (i) specifies the amount of Passenger Facility Charges that shall constitute Available PFC Revenues, the amount of Customer Facility Charges that shall constitute Available CFC Revenues, or the amount of Grant Funds that shall constitute Available Grant Revenues during each Fiscal Year specified in such Supplemental Indenture or Issuing Instrument or (ii) specifies Obligations that shall be secured by Available Revenues. More than one Series of Obligations may be secured by Available CFC Revenues, Available Grant Revenues, or Available PFC Revenues, and no consent from any Owner of any Obligation that is secured by any Available Revenues, or from any Credit Provider, shall be required as a condition to the issuance or incurring of any subsequently-issued Obligations that is secured by any Available Revenues. Notwithstanding any other provision of the Indenture, any Issuing Instrument, any Credit Support Agreement or any Credit Support Instrument, the County and the Trustee may amend (including reduce) the amount of Available CFC Revenues, Available Grant Revenues, or Available PFC Revenues specified pursuant to clause (i) of this paragraph with respect to any Fiscal Year without the consent of any Owner of any Obligation or any Credit Provider.

The Master Indenture establishes the following accounts, to be held by the Trustee: (i) Available CFC Account; (ii) Available Grant Account; and (iii) Available PFC Account.

The County shall, promptly upon receipt, deposit, or cause to be deposited, all Available CFC Revenues in the Available CFC Account, all Available Grant Revenues in the Available Grant Account, and all Available PFC Revenues in the Available PFC Account.

Notwithstanding any other provision of the Master Indenture or any Issuing Instrument, (i) the Available CFC Account and the Available CFC Revenues shall secure on a pro rata pari passu basis all Obligations, whenever issued and whether Senior Obligations, Subordinate Obligations, or Junior Subordinate Obligations, that are specified in the applicable Supplemental Indenture or Issuing Instrument to be secured by the Available CFC Account and the Available CFC Revenues; and (ii) Available CFC Revenues held in the Available CFC Account shall be applied by the Trustee as follows:

The pro rata amount of the Available CFC Revenues, including any investment earnings thereon, on deposit in the Available CFC Account shall be applied to the payment of such Obligations secured thereby and such amount shall be accounted for as a credit against the amounts required to be deposited for such purposes pursuant to the provisions of the Master Indenture described above under the caption "Application of Revenues."

Notwithstanding any other provision of the Master Indenture or any Issuing Instrument, (i) the Available Grant Account and the Available Grant Revenues shall secure on a pro rata pari passu basis all Obligations, whenever issued and whether Senior Obligations, Subordinate Obligations, or Junior Subordinate Obligations, that are specified in the applicable Supplemental Indenture or Issuing Instrument to be secured by the Available Grant Account and the Available Grant Revenues; and (ii) Available Grant Revenues held in the Available Grant Account shall be applied by the Trustee as follows:

The pro rata amount of the Available Grant Revenues, including any investment earnings thereon, on deposit in the Available Grant Account shall be applied to the payment of such Obligations secured thereby and such amount shall be accounted for as a credit against the amounts required to be deposited for such purpose pursuant to the provisions of the Master Indenture described above under the caption "Application of Revenues."

Notwithstanding any other provision of the Master Indenture or any Issuing Instrument, (i) the Available PFC Account and the Available PFC Revenues shall secure on a pro rata pari passu basis all Obligations, whenever issued and whether Senior Obligations, Subordinate Obligations, or Junior Subordinate Obligations, that are specified in the applicable Supplemental Indenture or Issuing Instrument to be secured by the Available PFC Account and the Available PFC Revenues; and (ii) Available PFC Revenues held in the Available PFC Account shall be applied by the Trustee as follows:

The pro rata amount of the Available PFC Revenues, including any investment earnings thereon, on deposit in the Available PFC Account shall be applied to the payment of such Obligations secured thereby and such amount shall be accounted for as a credit against the amounts required to be deposited for such purpose pursuant to the provisions of the Master Indenture described above under the caption "Application of Revenues."

Investment of Certain Funds. Moneys held in the Senior Debt Service Fund, the Subordinate Debt Service Fund and the Junior Subordinate Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in "Permitted Investments" which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Fund. Moneys held in the Senior Debt Service Reserve Fund and the Subordinate Debt Service Reserve Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in "Permitted Investments" which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Fund, but in any event not later than five (5) years from the time of such investment except that any security described in clause (g) of the definition of Permitted Investments may mature not later than thirty (30) years from the time of such investment provided that the Trustee may make withdrawals of all or any part of such Permitted Investment without penalty upon not more than two Business Days' notice. Moneys held in the Revenue Fund and the Construction Fund may be invested and reinvested in Permitted Investments which mature or which may be drawn upon not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys in the Operating Fund, including amounts in the Operating Reserve Account, the Reserve and Contingency Fund and the Capital Improvement Fund may be invested and reinvested in Permitted Investments which mature or which may be drawn upon not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds but in any event not later than five (5) years from the time of such investment. Moneys held in any other Fund or Account may be invested as provided in the Supplemental Indenture or Issuing Instrument establishing such Fund or Account. Notwithstanding any provision of the Master Indenture to the contrary, the investment of the proceeds of the Obligations of any Series, or any moneys held under the Master Indenture for the payment of the principal or Redemption Price of, or interest on, the Obligations of such Series, may be further restricted as provided in the Supplemental Indenture or Issuing Instrument authorizing such Series. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment in securities described in clause (g) of the definition of "Permitted Investments", in each case in accordance with directions of an Authorized County Representative, which directions shall be consistent with the Master Indenture and applicable law, and which directions shall be written. In the absence of written investment instructions directing the Trustee, the Trustee is directed to invest available funds in investments described in paragraph (d) of the definition of Permitted Investments.

Interest or other income (net of that which (x) represents a return of accrued interest paid in connection with the purchase of any investment or (y) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the Funds and Accounts shall be applied as follows: (i) all such interest or other income on moneys or investments in the Funds or Accounts established in the Master Indenture (other than the Construction Fund and the Rebate Fund) shall be paid into the Revenue Fund; provided, however, that with respect to the Senior Debt Service Reserve Fund and each Senior Series Debt Service Reserve Fund, such payment shall be made only to the extent the amounts remaining in such Funds is not less than the applicable Senior Debt Service Reserve Requirement and with respect to the Subordinate Debt Service Reserve Fund and each Subordinate Series Debt Service Reserve Fund, such payment shall be made only to the extent the amounts remaining in such Funds is not less than the applicable Subordinate Debt Service Reserve Requirement, (ii) all such interest or other income on moneys or investments in the Rebate Fund shall be applied as provided in the Master Indenture with respect to the County's tax covenants, (iii) unless otherwise provided with respect to an Account in the Construction Fund funded with the proceeds of a Series of Bonds in the Supplemental Indenture authorizing such Series, all such interest or other income on moneys or investments in each Account in the Construction Fund shall be retained in such Account, and (iv) all such interest or other income earned on moneys in any other Fund or Account shall be applied as provided in the Supplemental Indenture establishing such Fund or Account.

Covenants and Obligations of the County

Creation of Prior Liens. Except as provided in the Indenture, the County shall not issue any bond, note, or other evidence of indebtedness, incur any obligation, including any Obligation, payable from or secured by the Trust Estate or any part thereof or create, permit, or suffer to exist any lien or other encumbrance on the Trust Estate or any part thereof; provided that the County may issue obligations payable from and secured by the Trust Estate or any part thereof if such obligations are subordinate in payment and priority to the Junior Subordinate Obligations, the Subordinate Obligations and the Senior Obligations.

Any agreement pursuant to which are issued obligations permitted by the paragraph above (each, a "Junior Agreement") shall contain provisions to the following effect:

(1) The provisions of paragraphs (1)-(22) (the "Subordination Provisions") shall apply as long as any Obligation (other than any Obligation issued pursuant to the provisions of the Master Indenture described in the first paragraph under this caption) (the "Priority Obligations") is Outstanding, except that the Subordination Provisions shall continue to be effective or be reinstated, as the case may be, if at any time any payment in respect of any Priority Obligation is avoided, recovered, rescinded, annulled, or must otherwise be returned by the Trustee or the holder thereof, upon the bankruptcy or other similar proceedings with respect to the County or otherwise, all as though such payment had not been made. Any amounts received by any holder of an obligation issued pursuant to the provisions of the Master Indenture described under the first paragraph under

this caption or any trustee or representative thereof (each, a "Junior Holder") on account of such an obligation (each, a "Junior Obligation") shall, in the event of a reinstatement of the Subordination Provisions pursuant to the Master Indenture, be held in trust for and paid over to the Trustee.

(2) The indebtedness evidenced by each Junior Obligation is junior and subordinate in all respects, including in right of payment, to the prior payment of the Priority Obligations, to the extent and in the manner provided in the Subordination Provisions. Any lien, security interest, pledge, or other encumbrance securing any Junior Obligation is subordinate in all respects to the lien of the Master Indenture. The rights and remedies of the Junior Holders are subject to the restrictions and limitations set forth in the Subordination Provisions.

(3) No payment shall be made on any Junior Obligations from the Trust Estate or any part thereof, except from amounts payable to the County pursuant to paragraph (*l*) under the caption "Application of Revenues" above. Except as permitted by the immediately preceding sentence, each Junior Holder shall not ask for, demand, sue for, take, accept, or receive, directly or indirectly, by set-off, counterclaim, redemption, purchase, or in any other manner whatsoever, whether voluntary or involuntary and whether by operation of law or otherwise, (i) any payment or distribution, whether in money, securities, or other property, of or on account of any principal, premium, if any, or interest in respect of any Junior Obligations, or (ii) any payment or distribution for the purpose of any redemption, purchase, or other acquisition, direct or indirect, by the County of any Junior Obligations, and no such payment shall be due by the County. Except as permitted by the Master Indenture as described in the first sentence of this paragraph, the County shall not make any such payment or distribution. In the event that any payment or distribution with respect to any Junior Obligation shall be received by any Junior Holder in violation of the Subordination Provisions, such payment shall be held in trust for the benefit of the Trustee and shall be immediately paid to Trustee for application pursuant to the Master Indenture. In the event of the failure of the applicable Junior Holder to indorse or assign any such payment or distribution, the Trustee is irrevocably authorized under the Master Indenture to indorse or assign such payment or distribution.

(4) Each Junior Holder (i) shall not exercise any right or remedy otherwise available to it, whether pursuant to the applicable Junior Agreement, the applicable Junior Obligation, or applicable law, whether or not there has been any default or event of default under the applicable Junior Agreement or the applicable Junior Obligation, (ii) shall not accelerate, make demand, or otherwise cause to become due and payable prior to the original stated maturity the applicable Junior Obligation or any obligation under the applicable Junior Agreement, (iii) shall not declare any default or event of default under the applicable Junior Agreement or the applicable Junior Obligation, and no such default or event of default shall exist or occur, and (iv) shall not bring suit or institute any other action or proceeding against the County to enforce, nor seek or obtain any writ, judgment, or other process or remedy with respect to, its rights or interests under or in respect of the applicable Junior Agreement or the applicable Junior Obligation.

(5) In the event of (i) any bankruptcy or other similar proceeding of which the County or its property is the subject, (ii) any proceeding for the liquidation, dissolution, or other winding-up of the County, or (iii) any distribution, division, marshalling, or application of any of the properties or assets of the County or the proceeds thereof to creditors, voluntary or involuntary, and whether or not involving legal proceedings, then in any such event:

(A) All Priority Obligations shall first be paid in full, including all principal, premium, if any, interest, and other payments owing pursuant to the terms of the Master Indenture, any applicable Issuing Instrument and the Priority Obligations, including interest, premium, and other payments accruing after the commencement of any such proceeding or that would have accrued but for the commencement of any such proceeding, and regardless of whether any such amounts are allowed claims, disallowed claims, or allowable claims in such proceeding, or are avoided or subordinated in such proceeding, before any payment or distribution of any character, whether in money, securities, or other property, shall be made in respect of any Junior Obligation. The Subordination Provisions expressly are intended to include and do include the "rule of explicitness" in that the Subordination Provisions expressly entitle the Trustee and the holders of the Priority Obligations, and are intended to provide the Trustee and the holders of the Priority Obligations, with the right to receive payment of all post-petition interest, premium, fees, expenses, and other payments through distributions made pursuant to the provisions of the Subordination Provisions even though such interest, premium, fees, expenses or other payments are not allowed or allowable in such proceeding under Section 502(b)(2) or Section 506(b) of the United States Bankruptcy Code or under any other provision of the United States Bankruptcy Code or any other law, or are avoided or subordinated in any such proceeding;

(B) all principal or premium, if any, and interest and other payments on the Junior Obligations shall forthwith become due and payable, and any payment or distribution of any character, whether in money, securities, or other property, which would otherwise, but for the terms of the Master Indenture described under this caption, be payable or deliverable in respect of the Junior Obligations, shall be paid or delivered directly to the Trustee, for application pursuant to the Master Indenture until the Priority Obligations have been paid in full as described in paragraph (A) above, and the Junior Holders irrevocably (i) authorize, empower, and direct all receivers, trustees, liquidators, conservators, fiscal agents, and other applicable Persons to effect all such payments and deliveries, and (ii) to the extent necessary to effectuate the foregoing, assign to the Trustee their rights to (I) all such amounts, and (II) all collateral securing the Junior Obligations or the Junior Agreements;

(C) in the event that, notwithstanding the foregoing, any such payment or distribution of assets is received by any Junior Holder on account of, or with respect to, any Junior Obligation before all Priority Obligations shall have been paid in full as described in paragraph (A) above, such payment or distribution shall be held in trust for the benefit of and shall be immediately paid over to the Trustee for application in accordance with the Master Indenture. In the event of the failure of any Junior Holder to indorse or assign any such payment or distribution, the Trustee is irrevocably authorized under the Master Indenture to indorse or assign such payment or distribution;

(D) each Junior Holder irrevocably authorizes and empowers the Trustee (without imposing any obligation on the Trustee) to demand, sue for, collect, and receive all payments and distributions on account of each Junior Obligation and to receipt therefor, to file all claims therefor, and to take all such other actions, including the right to vote such Junior Obligation or any claims in respect thereof, in the name of the applicable Junior Holder, or otherwise, as the Trustee may determine to be necessary or appropriate, without any notice to any Junior Holder; and

(E) each Junior Holder shall execute and deliver to the Trustee all such further instruments confirming the above authorization, and all such powers of attorney, proofs of claim, assignments of claim, and other instruments, and shall take all such other action as may be reasonably requested by the Trustee to enforce all claims upon or in respect of any Junior Obligation.

(6) The Junior Holders appoint the Trustee as their attorney-in-fact with full authority in the place and stead of the Junior Holders and in the name of the Junior Holders or its own name or otherwise, from time to time in the Trustee's discretion, to take any action and to execute any instrument which the Trustee may deem necessary or advisable to accomplish the purposes of the Subordination Provisions. The power of attorney granted in the Master Indenture is coupled with an interest and is irrevocable.

(7) The terms of the Subordination Provisions, the subordination effected by the provisions described under this caption, and the rights of the holders of the Priority Obligations shall not be affected by (i) any lack of validity or enforceability of any Priority Obligation, the Master Indenture, any Issuing Instrument, any Junior Obligation, or any Junior Agreement; (ii) any change in the time, manner, or place of payment of, or in any other terms of, all or any of the Junior Obligations, the Junior Agreements, the Priority Obligations, any Issuing Instrument or the Master Indenture; (iii) any amendment, supplement, waiver, or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of any or all of the Priority Obligations, the Master Indenture, any Issuing Instrument the Junior Obligations, or the Junior Agreements; (iv) any substitution, exchange, or release of any part of the Trust Estate or any other collateral; (v) the commencement of any bankruptcy, insolvency, or similar proceeding in respect of the County; (vi) any exercise or non-exercise by the Trustee or any holder of any Priority Obligation of any right, power, or remedy under or in respect of any Priority Obligation, any Issuing Instrument or the Master Indenture, (vii) any waiver, consent, release, indulgence, extension, renewal, modification, delay, or other action, inaction, or omission, in respect of any Priority Obligation, any Issuing Instrument or the Master Indenture, or (viii) any other circumstances which otherwise might constitute a defense available to, or a discharge of, the County in respect of any Priority Obligation, any Issuing Instrument or the Master Indenture, or the Junior Holders in respect of the Junior Obligations or the Junior Agreements, whether or not or any Junior Holder shall have had notice or knowledge of any of the foregoing. No failure to exercise, and no delay in exercising, on the part of the Trustee or any holder of any Priority Obligation, any right, power, or privilege shall operate as a waiver thereof; nor shall any single or partial exercise by the Trustee or any holder of any Priority Obligation of any right, power, or privilege preclude any other further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided in the Subordination Provisions are cumulative and shall not be exclusive of any rights or remedies provided by law.

(8) The Trustee and the holders of the Priority Obligations may, at any time and from time to time, without the consent of, or notice to, any Junior Holder and without impairing or releasing the priorities and other benefits provided in the Subordination Provisions, even if any right of subrogation or other right or remedy of any Junior Holder is affected, impaired, or extinguished thereby, do any one or more of the following: (i) change the manner, place, or terms of payment or change or extend the time of payment of, or amend, renew, compromise, extend, accelerate, exchange, or increase, increase or decrease the rate of interest payable on, or alter any of the terms of, any Priority Obligation, any Issuing Instrument or the Master Indenture or any lien, pledge, security interest, or encumbrance on any collateral securing any Priority Obligation, any Issuing Instrument or the Master Indenture or any liability of the County (including any increase in or extension of the Priority Obligations, any Issuing Instrument or the Master Indenture, without any restriction as to the amount, tenor, or terms of any such increase or extension) or otherwise amend, renew, exchange, extend, modify, or supplement in any manner any lien, pledge, security interest, or encumbrance held by the Trustee or any holder of Priority Obligations, any Priority

Obligation, any Issuing Instrument or the Master Indenture; (ii) sell, substitute, exchange, release, waive, surrender, realize upon, enforce, or otherwise deal with in any manner and in any order any part of the collateral securing any Priority Obligation, any Issuing Instrument or the Master Indenture or any liability of the County to the Trustee or any holder of any Priority Obligation; (iii) settle or compromise any Priority Obligation or any other liability of the County or any collateral therefor and apply any sums by whomsoever paid and however realized to any liability (including any Priority Obligation) in any manner or order; (iv) exercise or delay in or refrain from exercising any right or remedy against the County or with respect to any collateral, elect any remedy, or otherwise deal freely with the County or any collateral securing any Priority Obligation, any Issuing Instrument or the Master Indenture or any liability incurred directly or indirectly in respect thereof; or (v) release or discharge any Priority Obligation, any Issuing Instrument or the Master Indenture or any agreement or obligation of the County or any other Person with respect thereto.

(9) The Trustee and the holders of the Priority Obligations shall have the exclusive right to enforce rights, exercise remedies (including setoff and the right to credit bid their debt) and make determinations regarding the release, disposition, or restrictions with respect to the collateral securing any Priority Obligation, any Issuing Instrument or the Master Indenture without any consultation with, and without the consent of, any Junior Holder, all as though the Junior Obligations and the Junior Agreements did not exist. In exercising rights and remedies with respect to the collateral securing the Priority Obligations, any Issuing Instrument or the Master Indenture, the Trustee and the holders of the Priority Obligations may enforce the provisions of the Priority Obligations, any Issuing Instrument and the Master Indenture and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion.

(10) The Junior Holders shall not exercise any right of subrogation that they may have or obtain pursuant to the exercise of any right or remedy in connection with the Junior Obligations or the Junior Agreement. The Junior Holders agree not to acquire, directly or indirectly, by subrogation or otherwise, any lien that is senior to the lien of the Master Indenture, and any such lien so acquired shall automatically and without any further action become subject and subordinate to the lien of the Master Indenture.

(11) Notwithstanding the date, manner, or order of grant, attachment, or perfection of any liens, pledges, security interests, or encumbrances securing any Junior Obligation, any Issuing Instrument or any Junior Agreement or of any liens, pledges, security interests, or encumbrances securing any Priority Obligation, any Issuing Instrument or the Master Indenture and notwithstanding any provision of any applicable law, any Junior Obligation, or any Junior Agreement or any other circumstance whatsoever, including the bankruptcy or insolvency of the County or any non-perfection, avoidance, or subordination of any lien, pledge, security interest, or encumbrance purporting to secure any Priority Obligation, any Issuing Instrument, the Master Indenture, any Junior Obligation, or any Junior Agreement, (i) any lien, pledge, security interest, or encumbrance on the Trust Estate or any part thereof securing any Priority Obligation, any Issuing Instrument or the Master Indenture, now or hereafter acquired, regardless of how acquired, whether by grant, possession, statute, operation of law, subrogation, or otherwise, shall be senior in all respects and prior to any lien, pledge, security interest, or encumbrance on the Trust Estate or any part thereof securing any Junior Obligation or any Junior Agreement and (ii) any lien, pledge, security interest, or encumbrance on the Trust Estate or any part thereof securing any Junior Obligation or any Junior Agreement, now or hereafter acquired, regardless of how acquired, whether by grant, possession, statute, operation of law, subrogation, or otherwise, shall be junior and subordinate in all respects to all liens, pledges, security interests, and encumbrances on the Trust Estate or any part thereof securing any Priority Obligation, any Issuing Instrument or the Master Indenture.

(12) The Subordination Provisions constitute a "subordination agreement" within the meaning of Section 510(a) of the United States Bankruptcy Code and any successor thereto.

(13) Each Junior Holder shall not commence a bankruptcy or similar case or proceeding against the County or its property.

(14) No provision of any Junior Agreement or any Junior Obligation shall restrict in any way the rights and remedies of the Trustee or any holder of a Priority Obligation as set forth in the Subordination Provisions, the Master Indenture, any Issuing Instrument, or any Priority Obligation.

(15) Each Junior Holder waives any right to, and shall not, contest or object to, in any proceeding, including any bankruptcy, insolvency, or similar proceeding, (i) the validity, enforceability, legality, or binding effect of the Master Indenture, any Issuing Instrument, each Priority Obligation, or any provision thereof, (ii) the validity, perfection, priority, or enforceability of the liens, pledges, security interests, and encumbrances granted pursuant to the Master Indenture, any Issuing Instrument or any Priority Obligation, or (iii) the provisions of the Subordination Provisions.

(16) Each Junior Holder waives any right to, and shall not, contest or object to, in any proceeding, including any bankruptcy, insolvency, or similar proceeding, (i) any foreclosure proceeding or action brought by the Trustee or any holder of any Priority Obligation or any other exercise by the Trustee or any holder of any Priority Obligation of any rights or remedies relating to the collateral securing the Master Indenture, any Issuing Instrument or any Priority Obligation, or (ii) any forbearance by the Trustee or any holder of any Priority Obligation from bringing or pursuing any foreclosure proceeding or action or any other exercise of any rights or remedies relating to any collateral securing the Master Indenture, any Issuing Instrument or any Priority Obligation.

(17) The Junior Holders (i) agree that they will not take any action that would hinder, delay, limit, or prohibit any exercise of remedies under the Master Indenture, any Issuing Instrument or any Priority Obligation, including any collection, sale, lease, exchange, transfer, or other disposition of the collateral securing the Master Indenture, any Issuing Instrument or any Priority Obligation, whether by foreclosure or otherwise, or that would limit, invalidate, avoid, or set aside the Master Indenture, any Issuing Instrument, any Priority Obligation, or any collateral securing the Master Indenture, any Issuing Instrument or any Priority Obligation, or subordinate the priority of any Priority Obligation, any Issuing Instrument or the Master Indenture to any Junior Obligation or any Junior Agreement, and (ii) waive any and all rights they may have as a junior lien creditor or otherwise, whether arising under the Uniform Commercial Code or under any other law, to contest or object to the manner in which the Trustee or any holder of any Priority Obligation seeks to enforce or collect any Priority Obligation, any Issuing Instrument, the Master Indenture, or any lien, pledge, security interest, or encumbrance granted pursuant to the Master Indenture, any Issuing Instrument or any Priority Obligation, including the manner in which collateral is disposed of, or to receive any notice with respect thereto, regardless of whether any action or failure to act by or on behalf of the Trustee or any holder of any Priority Obligation is adverse to the interests of any Junior Party or is commercially reasonable.

(18) The Junior Parties agree not to assert and waive, to the fullest extent permitted by law, any right to demand, request, plead, or otherwise assert or otherwise claim the benefit of, any marshalling, appraisal, valuation, or other similar right that may otherwise be available under

applicable law with respect to the Trust Estate or any part thereof or any other similar rights a junior secured creditor may have under applicable law.

(19) The Junior Parties waive presentment, demand, protest, notice of protest, notice of default or dishonor, notice of payment or nonpayment, notice of acceptance of any Junior Agreement by the Trustee or any holder of any Priority Obligation, notice or proof of any action taken in reliance hereon, and all other notices and demands of every kind in connection with each Priority Obligation, the Master Indenture, any Issuing Instrument, each Junior Obligation, or any Junior Agreement. The Junior Holders waive all diligence in collection or protection of or realization upon the Priority Obligations, the Master Indenture, any Issuing Instrument, or any collateral therefor.

(20) The Junior Parties waive any defense based on the adequacy of a remedy at law that might be asserted as a bar to the remedy of specific performance of the Subordination Provisions in any action brought therefor by the Trustee or any holder of a Priority Obligation.

(21) Any waiver, amendment, or supplement of the Subordination Provisions shall be treated as a waiver, amendment, or supplement of the Master Indenture and shall not be effective except in compliance with the terms of the Master Indenture relating to waivers, supplements, and amendments thereto. Notwithstanding any other provision of any Junior Agreement to the contrary, including any provision that states that it controls over any other provision to the contrary, the provisions of the Master Indenture described in this paragraph shall not be amended in any way.

(22) The Trustee and the holders of the Priority Obligations are express third-party beneficiaries of the Subordination Provisions and as such may enforce the provisions set forth in the Subordination Provisions to the fullest extent provided by law.

Rates and Charges. The County covenants to fulfill the following requirements:

(a) The County shall, while any of the Obligations remain Outstanding, establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to 100% of the aggregate amount of transfers required to be made by the County pursuant to paragraphs (b) through (k) under the caption "Application of Revenues" above during such Fiscal Year.

(b) (i) The County further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year plus any Transfer will be equal to at least 125% of Accrued Debt Service on all Outstanding Senior Obligations for such Fiscal Year. For purposes of the provisions of the Master Indenture described in this subsection (b)(i), the amount of any Transfer taken into account shall not exceed 25% of the Accrued Debt Service on the Outstanding Senior Obligations for such Fiscal Year.

(ii) The County further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year plus any Transfer will be equal to at least 110% of Accrued Debt Service on all Outstanding Senior Obligations and Subordinate Obligations for such Fiscal Year. For purposes of the provisions of the Master Indenture described in this subsection (b)(ii), the amount of any Transfer taken into account shall not exceed 10% of the Accrued Debt Service on the Outstanding Senior Obligations and Subordinate Obligations for such Fiscal Year.

(iii) The County further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year will be equal to at least 100% of Accrued Debt Service on all Outstanding Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations for such Fiscal Year.

(iv) For purposes of complying with any of the requirements of the Master Indenture described in subsection (b), (1) any calculation of Accrued Debt Service with respect to specified Obligations for any period of time shall be reduced by the amount of any Subsidy that the County received during such period of time relating to or in connection with such Obligations and (2) any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received by the County with respect to or in connection with the specified Obligations during such period of time.

(c) The County covenants that if Net Revenues in any Fiscal Year are less than the amount specified in the Master Indenture as described in subsection (a) under this caption "Rates and Charges," or that if Net Revenues together with any Transfer in any Fiscal Year are less than the amount specified in the Master Indenture as described in subsection (b) under this caption, the County will retain and direct an Airport Consultant to make recommendations as to the revision of the County's business operations and its schedule of rates, tolls, fees, rentals and charges for the use of the Airport System and for services rendered by the County in connection with the Airport System. After receiving such recommendations, the County shall, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the Board that such recommendations, in whole or in part, are in the best interests of the County, take all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the County's business operations and schedule of rates, tolls, fees, rentals and charges as may be necessary to produce Net Revenues, together with any Transfer (only as applied in subsection (b) under this caption), in the amount specified in subsection (a) or (b) under this caption in the next Fiscal Year.

In the event that Net Revenues, together with any Transfer (only as applied in subsection (b) under this caption), for any Fiscal Year (referred to in this paragraph as "Fiscal Year One") are less than the amount specified in subsection (a) or (b) under this caption but, prior to or during the next succeeding Fiscal Year (referred to in this paragraph as "Fiscal Year Two"), the County has taken all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the County's business operations and schedule of rates, tolls, fees, rentals and charges as required by the Master Indenture as described in subsection (c) under this caption, such deficiency in Net Revenues for Fiscal Year One shall not constitute an Event of Default. Nevertheless, even if the measures required by subsection (c) under this caption to revise the schedule of rates, tolls, fees, rentals and charges have been taken by the County, in the event the Net Revenues in Fiscal Year Two (as evidenced by the audited financial statements of the County for such Fiscal Year), together with any Transfer (only as applied in accordance with the Master Indenture as described in subsection (b) under this caption), are less than the amount specified in the Master Indenture as described in subsection (a) or (b) under this caption, such deficiency in Net Revenues for Fiscal Year Two, as the second successive year of deficiencies in Net Revenues, shall, with the applicable notice, constitute an Event of Default.

(d) The County shall file with the Trustee a calculation or other evidence from an Authorized County Representative or an Independent Certified Public Accountant demonstrating compliance (or non-compliance) with the rate covenants of the Master Indenture.

Sale, Lease or Other Disposition of Property. The County shall not, except as permitted below, transfer, sell, lease or otherwise dispose of any Airport System facility or facilities. Any transfer of an asset over which the County retains substantial control in accordance with the terms of such transfer, shall not, for so long as the County has such control, be deemed a disposition of an Airport System facility or facilities.

The County may, to the extent permitted by law, transfer, sell, lease or otherwise dispose of Airport System facilities only if such transfer, sale, lease or disposition complies with one or more of the following provisions:

(a) The property being disposed of is inadequate, obsolete or worn out; or

(b) The property proposed to be disposed of and all other Airport System facilities disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion, the proceeds of such disposition are to be used as described below and the County delivers to the Trustee a certificate of an Authorized County Representative to the effect that the County expects that such disposal will not materially impair the operations or financial condition of the Airport System or the performance by the County of all of its obligations and covenants under the Master Indenture or any Issuing Instrument and with respect to all Outstanding Obligations; or

(c) The County has furnished evidence (including, but not limited to, a certificate of an Authorized County Representative) to the Trustee that (i) the disposition of such Airport System facilities, including Airport System facilities constituting a Significant Portion of the Airport System, would not result in the ratings on any Obligations being suspended or downgraded by any Rating Agency and (ii) such disposition would be for a consideration not less than fair market value; or

(d) The County has furnished to the Trustee (i) a certificate of an Authorized County Representative or an Airport Consultant to the effect that notwithstanding such disposition of Airport System facilities, including Airport System facilities constituting a Significant Portion of the Airport System, but taking into account the use of the proceeds of such disposition in accordance with the expectations of the County as evidenced by a certificate of an Authorized County Representative, the County is expected to be in compliance with the Master Indenture with respect to the County's covenant regarding rates and charges during each of the five Fiscal Years immediately following such disposition and (ii) a Ratings Confirmation with respect to the disposition of any Significant Portion of Airport System facilities; or

(e) If the disposition involves a lease of any part of the Airport System, other than a Significant Portion, such lease shall not materially impair the operations or financial condition of the Airport System or the performance by the County of all of its obligations and covenants under the Master Indenture or any Issuing Instrument and with respect to all Outstanding Obligations.

Proceeds of the disposition of Airport System facilities under paragraphs (b), (c) and (d) above shall be deposited into a separate fund or account held by the County and used, within a reasonable period of time, to (i) provide additional revenue-producing Airport System facilities, (ii) pay or redeem Obligations or (iii) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Master Indenture or create an escrow fund pledged to pay specified other Obligations and thereby cause such other Obligations to be deemed paid in accordance with the Issuing Instrument pursuant to which such Obligations were issued; provided, however, that if the County proposes to use the proceeds as described in clause (ii) or (iii) above, the County shall pay, redeem or defease, as applicable, Obligations in accordance with the Payment Priorities.

Operation and Maintenance of the Airport System; Budgets. The County shall maintain and preserve the Airport System facilities in good repair and working order at all times and shall operate the Airport System in an efficient and economical manner and shall pay all Operating Expenses as they become due and payable. The County shall prepare, not later than July 30 of each Fiscal Year, a proposed Annual Budget for the Airport System for approval by the Board setting forth the estimated Revenues, Operating Expenses, scheduled Debt Service for all Outstanding Obligations of the County for such Fiscal Year and shall take such action as may be necessary to include all such payments and all other payments required to be made under the Issuing Instruments for Outstanding Obligations of the County during such Fiscal Year. Any such Annual Budget may be amended at any time during any Fiscal Year provided that such amended budget shall include all payments coming due in such Fiscal Year with respect to Obligations, and debt service reserves therefor, payable from Net Revenues.

The County covenants to adopt a budget with respect to Capital Improvements for the Airport System for each Fiscal Year which will show, in addition to such other matters as the County may determine to include, the amounts, if any, to be expended during such Fiscal Year for identified Capital Improvements to the Airport System and the sources of such amounts. The Capital Improvements budget may be part of the County's Annual Budget.

The County covenants to file copies of its Annual Budget and its Capital Improvements budget promptly upon availability with the Trustee. The Trustee shall not be responsible for reviewing the Annual Budget or the Capital Improvements budget.

If the County determines to amend its Capital Improvements budget to pay from Revenues any unbudgeted expenditure, the County shall, as a condition to making such amendment, file a certificate of an Authorized County Representative with the Trustee demonstrating that payment from Revenues of such unbudgeted expenditure is not expected to impair the County's ability to comply with the Master Indenture with respect to the County's covenant regarding rates and charges.

Amendments to Indenture

Amendments Permitted. The Master Indenture or any Supplemental Indenture and the rights and obligations of the County and of the Owners of the Outstanding Obligations and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the County and the Trustee may enter into with the written consent of each Credit Provider whose consent is required by a Credit Support Agreement, when the written consent of the Owners of at least a majority in aggregate principal amount of the Senior Obligations then Outstanding shall have been filed with the Trustee and, if the modification, amendment or supplement affects the provisions of the Master Indenture with respect to the issuance of Obligations other than bonds, the issuance of Senior Obligations, the application of Revenues, the County's covenant regarding rates and charges, or the County's covenant regarding the sale, lease or disposition of property, the written consent of the Owners of at least a majority in aggregate principal amount of the Subordinate Obligations then Outstanding shall have been filed with the Trustee; or if less than all of the Outstanding Obligations are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Obligations; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Obligations of any particular Series and maturity remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Obligations. No such modification, amendment or supplement shall (i) reduce the aforesaid percentage of Obligations the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Obligations then Outstanding; (ii) extend the fixed maturity of any Obligation, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Obligation or extend the time of payment of interest thereon, without the consent of the Owner of each Obligation so affected; or (iii) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the entry into any Supplemental Indenture by the County and the Trustee for any of the purposes described under this caption "Amendments Permitted," the County shall cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Obligations (or the affected Outstanding Obligations) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the substance of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by each Owner of an Outstanding Obligation.

Whenever, at any time after the date of the mailing of notice of the proposed entry into a Supplemental Indenture pursuant to the Master Indenture as described in this subsection, the County shall have received an instrument or instruments in writing by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Senior Obligations or Subordinate Obligations, as applicable, then Outstanding, or if less than all of the Outstanding Senior Obligations or Subordinate Obligations, as applicable, are affected, by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Obligations, which instrument or instruments shall refer to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and shall consent to the substance of such Supplemental Indenture referred to in such notice, thereupon, but not otherwise, the County and the Trustee may enter into such Supplemental Indenture without liability or responsibility to any Owner of any Obligation, whether or not such Owner shall have consented thereto.

The Master Indenture or any Supplemental Indenture or Issuing Instrument may be supplemented from time to time and at any time by a Supplemental Indenture or Issuing Instrument, which the County and the Trustee may enter into without the consent of any Credit Provider and without the consent of the Owner of any Obligation, to provide for the issuance of a Series of Obligations in accordance with the terms and conditions described under the heading "Authorization and Issuance of Bonds and Obligations," and establishing the terms and conditions thereof.

No Credit Provider shall have the right to require that it consent to an amendment, Supplemental Indenture, or Issuing Instrument made pursuant to the Master Indenture with respect to Available Revenues, regardless of the provisions of any Credit Support Agreement or any Credit Support Instrument.

The Master Indenture and any Supplemental Indenture and the rights and obligations of the County, the Fiduciaries and the Owners of the Outstanding Obligations may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the County and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of any Owners of Obligations, so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Outstanding Obligations, including for any one or more of the following purposes:

(i) to add to the covenants and agreements of the County contained in the Master Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Obligations (or any portion thereof), or to surrender any right or power in the Master Indenture reserved to or conferred upon the County;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Master Indenture or a Supplemental Indenture, or in regard to matters or questions arising under the Master Indenture or a Supplemental Indenture, as the County may deem necessary or desirable;

(iii) to modify, amend or supplement the Master Indenture or a Supplemental Indenture in such manner as to permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(iv) to make any other modification, amendment or supplement that shall not materially adversely affect the interests of the Owners of the Outstanding Obligations.

Notwithstanding anything to the contrary, the provisions of the Master Indenture or any Supplemental Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise be described in the first paragraph under this caption, which the County and the Trustee may enter into without the consent of the Owners of Obligations constituting Tender Obligations if either (i) the effective date of such Supplemental Indenture is a date on which such Obligations are subject to mandatory tender for purchase or (ii) the notice described in the third paragraph under this caption is given to Owners of such Obligations at least thirty (30) days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Obligations have the right to demand purchase of such Obligations.

Unless otherwise provided in the Supplemental Indenture or Issuing Instrument relating to the Obligations and notwithstanding anything to the contrary in the Master Indenture (other than the provision of the Master Indenture described in the sixth paragraph under this caption), the Credit Provider for all or any portions of the Obligations shall be deemed to be the Owner of such Obligations for all purposes under the Master Indenture except the payment of interest of and principal and premium of any of the Obligations.

For purposes of the provisions of the Master Indenture described under this caption, it shall not be necessary that consents of the Owners of any particular percentage of Outstanding Obligations of any affected Series be obtained but it shall be sufficient if the consent of the Owners of a majority in aggregate principal amount of the combination of affected Outstanding Obligations shall be obtained.

Effect of Supplemental Indenture. Upon the County and the Trustee entering into any Supplemental Indenture, the Master Indenture shall be deemed to be modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Master Indenture of the County, the Fiduciaries and all Owners of Outstanding Obligations shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Master Indenture for any and all purposes. Upon the County and the Trustee entering into any Supplemental Indenture, no Owner of any Obligation shall have any right to object to the entry into such Supplemental Indenture by the County and the Trustee, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the entry into such Supplemental Indenture, or to enjoin or restrain the County or the Trustee from entering into the same or to enjoin or restrain the County or the Trustee from taking any action pursuant to the provisions thereof whether or not such Owner gave its consent to such Supplemental Indenture.

Defeasance

Payment of Bonds. If the County shall pay, or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal amount or Redemption Price, if applicable, of the Bonds, and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Master Indenture, together with all other Obligations and all other sums payable by the County under the Master Indenture, including all fees and expenses of the Trustee, then and in that case, subject to the provisions of the Master Indenture, the Issuing Instruments, and the lien of the Master Indenture and all covenants, agreements and obligations of the County contained in the Master Indenture and the Issuing Instruments, shall cease and terminate and shall be completely discharged and satisfied and the County shall be released therefrom and the Trustee shall assign and transfer to or upon the order of the County all of the Trust Estate (in excess of the amounts required for the foregoing) free and clear of any liens or encumbrances thereon pursuant to the Master Indenture and the Issuing Instruments and shall execute such documents as may be reasonably required by the County in this regard.

Bonds Deemed Paid. Bonds (or portions of Bonds) for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent at the maturity or redemption date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture. Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to the provisions of the Master Indenture described under this caption shall be in an Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture if (i) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the County shall have given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date, (ii) there shall have been deposited with an Escrow Agent either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which when due shall provide moneys which, together with the other moneys, if any, held by such Escrow Agent for such purpose, shall be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (ii) above, the County shall have given the Trustee, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (ii) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with the provisions in the Master Indenture described under this caption and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (iii) of this paragraph with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series and maturity shall specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (iii) of this paragraph with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid pursuant to the provisions of the Master Indenture described under this caption and notify the Owner of such Bond that such Bond must be surrendered. The receipt of any notice required by the Master Indenture shall not be a condition precedent to any Bond being deemed paid in accordance with the provisions of the Master Indenture described under this caption and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds in accordance with the provisions of the Master Indenture described under this caption.

No Bond which constitutes a Tender Obligation shall be deemed to be paid within the meaning of the Master Indenture unless the Purchase Price of such Bond, if tendered for purchase in accordance with the Master Indenture, could be paid when due from such moneys or Defeasance Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument is provided in connection with such Purchase Price.

Defeasance of Portion of Bond. If there shall be deemed paid less than all of the full principal amount of a Bond, the County shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, maturity and other terms, and in any of the Authorized Denominations.

Defeasance of Obligations Other than Bonds. If Obligations other than Bonds are capable of being defeased, such Obligations shall be defeased in accordance with the provisions of the Issuing Instrument relating to such Obligations.

Events of Default; Remedies

Events of Default. Each of the following shall constitute an Event of Default under the Master Indenture: (1) if default shall be made in the payment of the principal of or Sinking Fund Installment for, or interest on, or any other payment of, any Outstanding Senior Obligation when and as the same shall become due and payable, whether on an Interest Payment Date, at maturity, by declaration, or otherwise; (2) if default shall be made in the payment when due of the Purchase Price of any Outstanding Senior Obligations which are Tender Obligations; (3) if default shall be made by the County in the performance or observance of any other of the covenants, agreements or conditions on its part in the Master Indenture (other than a default with respect to Subordinate Obligations for so long as any Senior Obligations are Outstanding or a default with respect to Junior Subordinate Obligations for so long as any Senior Obligations or Subordinate Obligations are Outstanding) or in the Outstanding Senior Obligations contained, and such default shall continue for a period of 120 days after written notice thereof to the County by the Trustee or to the County and to the Trustee by the Owners of not less than 25% in aggregate principal amount of the Senior Obligations Outstanding; provided, however, if such default is such that it can be corrected by the County but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the County within thirty days of the County's receipt of the notice of the default required by the Master Indenture as described in this paragraph and diligently pursued until the default is corrected; and provided further that the provisions of the Master Indenture described under this caption are subject to the provisions of the Master Indenture with respect to the County's covenant regarding rates and charges; (4) any Senior Obligation is declared due and payable as a result of an event of default under the Issuing Instrument for such Senior Obligation; or (5) an Event of Bankruptcy shall have occurred and be continuing with respect to the County.

AS LONG AS ANY SENIOR OBLIGATIONS REMAIN OUTSTANDING, NO EVENT OF DEFAULT SHALL EXIST OR MAY BE DECLARED WITH RESPECT TO ANY SUBORDINATE OBLIGATIONS OR JUNIOR SUBORDINATE OBLIGATIONS. AS LONG AS ANY SUBORDINATE OBLIGATIONS REMAIN OUTSTANDING, NO EVENT OF DEFAULT SHALL EXIST OR MAY BE DECLARED WITH RESPECT TO ANY JUNIOR SUBORDINATE OBLIGATIONS.

If, and only if, the Senior Obligations are no longer Outstanding, all references to Senior Obligations in the Master Indenture with respect to Events of Default shall be read to be references to Subordinate Obligations and if, and only if, the Subordinate Obligations and Senior Obligations are no longer Outstanding, all references to Senior Obligations in the Master Indenture with respect to Events of Default shall be read to be references to Junior Subordinate Obligations.

While the Senior Obligations are Outstanding, a Subordinate Payment Default is not an Event of Default under the Master Indenture, provided that in the event of a Subordinate Payment Default, Owners of Subordinate Obligations shall have the remedies set forth in the Master Indenture as described in the first paragraph under the heading "Events of Default; Remedies – Remedies for Subordinate Obligations and Junior Subordinate Obligations."

While the Senior Obligations or Subordinate Obligations are Outstanding, a Junior Subordinate Payment Default is not an Event of Default under the Master Indenture, provided that in the event of a Junior Subordinate Payment Default, Owners of Junior Subordinate Obligations shall have the remedies set forth in the Master Indenture as described in the second paragraph under the heading "Events of Default; Remedies – Remedies for Subordinate Obligations and Junior Subordinate Obligations."

Right to Accelerate Upon Default. Notwithstanding anything to the contrary in the Master Indenture, any Issuing Instrument or in the Senior Obligations, unless all the Outstanding Senior Obligations shall have already become due and payable, upon the occurrence of an Event of Default, the Trustee may, and shall, at the direction of the Owners of a majority in aggregate principal amount of Outstanding Senior Obligations (other than Senior Obligations owned by or on behalf of the County) by written notice to the County, declare all of the Outstanding Senior Obligations to be immediately due and payable, whereupon the principal of the Senior Obligations thereby coming due and the interest thereon accrued to the date of payment and all other payments thereby coming due shall, without further action, become and be immediately due and payable. If the terms of any Supplemental Indenture or Issuing Instrument give a Person the right to consent to acceleration of the Obligations issued pursuant to such Supplemental Indenture or Issuing Instrument, the Obligations issued pursuant to such Supplemental Indenture or Issuing Instrument may not be accelerated by the Trustee unless such consent is obtained pursuant to the terms of such Supplemental Indenture or Issuing Instrument. Nothing in the Master Indenture shall affect the rights of the parties to a Swap to terminate such Swap.

Any such declaration, however, is subject to the condition that if, at any time after the Senior Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as provided in the Master Indenture, there shall have been deposited with the Trustee a sum sufficient to pay the principal of the Senior Obligations matured and coming due prior to such declaration, with interest on such overdue principal at the rate borne by the respective Senior Obligations, the accrued interest on the Senior Obligations due prior to such declaration, any other payments then due and the reasonable fees and expenses of the Trustee (including but not limited to those of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal of the Senior Obligations and accrued interest and other payments due on the Senior Obligations due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal of the Senior Obligations then Outstanding, by written notice to the County and to the Trustee, may, on behalf of the Owners of all of the Senior Obligations, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

The Subordinate Obligations shall not be subject to acceleration if any Senior Obligations are then Outstanding. The Junior Subordinate Obligations shall not be subject to acceleration if any Subordinate Obligations or Senior Obligations are then Outstanding.

If, and only if, the Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Subordinate Obligations and if, and only if, the Subordinate Obligations and Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Junior Subordinate Obligations.

Appointment of Receiver. If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Senior Obligations under the Master Indenture and any Issuing Instruments, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Net Revenues and the Available Revenues, pending such proceedings, with such power as the court making such appointment shall confer. If an Event of Default shall happen and shall not have been remedied, upon the written request of the Trustee, a Credit Provider or the Owners of not less than 10% of the aggregate principal amount of the Outstanding Senior Obligations, the County shall transfer to the Trustee all moneys held in all of the Funds maintained by the County under the Master Indenture and shall transfer to the Trustee, at least monthly all the Net Revenues and Available Revenues received by the County.

If, and only if, the Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Subordinate Obligations and if, and only if, the Subordinate Obligations and Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Junior Subordinate Obligations.

Enforcement Proceedings. If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, proceed, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Senior Obligations at the time Outstanding, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Senior Obligations by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Master Indenture or any Issuing Instrument, to enforce the lien of the Master Indenture, or in aid of the execution of any power granted in the Master Indenture or any Issuing Instrument, or any remedy granted under applicable provisions of the laws of the State, or for an accounting by the County as if the County were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

All rights of action under the Master Indenture or any Issuing Instrument may be prosecuted and enforced by the Trustee without the possession of any of the Senior Obligations or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Master Indenture or any Issuing Instrument, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Master Indenture or any Issuing Instrument and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the Senior Obligations then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Master Indenture or any Issuing Instrument by any acts which may be unlawful or in violation of the Master Indenture or any Issuing Instrument, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Senior Obligations.

If the Trustee or any Owner or Owners of Outstanding Senior Obligations have instituted any proceeding to enforce any right or remedy under the Master Indenture or any Issuing Instrument and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner or Owners, then and in every such case the County, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Master Indenture or such Issuing Instrument, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

If, and only if, the Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Subordinate Obligations and if, and only if, the Subordinate Obligations and Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Junior Subordinate Obligations.

Remedies for Subordinate Obligations and Junior Subordinate Obligations. If a Subordinate Payment Default has occurred, then the Owners of at least a majority of the aggregate principal amount of the Subordinate Obligations, may direct the Trustee to take the following actions: enforce by mandamus or specific performance the obligations of the County to deposit money pursuant to paragraphs (e) and/or (f) under the caption "Application of Revenues" above which is otherwise required to be deposited for the benefit of Subordinate Obligations pursuant to such provisions and is available for such deposit but is being wrongfully withheld by the County or direct an accounting of Trustee funds; provided however, that notwithstanding the foregoing, no remedial action may be taken that would adversely affect the Owners of the Senior Obligations.

If a Junior Subordinate Payment Default has occurred, then the Owners of at least a majority of the aggregate principal amount of the Junior Subordinate Obligations, may direct the Trustee to take the following actions: enforce by mandamus or specific performance the obligations of the County to deposit money pursuant to paragraph (i) under the caption "Application of Revenues" above which is otherwise required to be deposited for the benefit of Junior Subordinate Obligations pursuant to such provisions and is available for such deposit but is being wrongfully withheld by the County or direct an accounting of Trustee funds; provided however, that notwithstanding the foregoing, no remedial action may be taken that would adversely affect the Owners of the Senior Obligations or the Owners of the Subordinate Obligations.

The principal, premium, if any, and interest and any other payment on Subordinate Obligations will be subordinated in right of payment to principal, premium, if any, and interest and any other payments on the Senior Obligations. If any Event of Default shall have occurred and be continuing, Owners of Senior Obligations will be entitled to receive payment thereof in full, including any interest, premium, fees, expenses or other payments that would otherwise have accrued after the occurrence of an Event of Bankruptcy with respect to the County (whether or not such interest, premium, fees, expenses or other payments are allowable or allowed in the relevant proceeding, or are avoided or subordinated) before the Owners of the Subordinate Obligations are entitled to receive payment thereof; and any payment or distribution of assets otherwise payable to Owners of the Subordinate Obligations will be paid to Owners of Senior Obligations until all Senior Obligations have been paid in full, and the Owners of the Subordinate Obligations will be subrogated to the rights of such Owners of Senior Obligations to receive payments or distributions of assets with respect thereto.

The principal, premium, if any, and interest and any other payment on Junior Subordinate Obligations will be subordinated in right of payment to principal, premium, if any, and interest and any other payments on the Subordinate Obligations and Senior Obligations. If any Event of Default shall have occurred and be continuing, and the Senior Obligations are no longer Outstanding, Owners of Subordinate

Obligations will be entitled to receive payment thereof in full, including any interest, premium, fees or expenses or other payments that would otherwise have accrued after the occurrence of an Event of Bankruptcy with respect to the County (whether or not such interest, premium, fees or expenses or other payments are allowable or allowed in the relevant proceeding, or are avoided or subordinated) before the Owners of the Junior Subordinate Obligations are entitled to receive payment thereof; and any payment or distribution of assets otherwise payable to Owners of the Junior Subordinate Obligations will be paid to Owners of Subordinate Obligations until all Subordinate Obligations have been paid in full, and the Owners of the Junior Subordinate Obligations will be subrogated to the rights of such Owners of Subordinate Obligations to receive payments or distributions of assets with respect thereto.

Remedies not Exclusive. No remedy by the terms of the Master Indenture or any Issuing Instrument conferred upon or reserved to the Trustee or the Owners of the Obligations is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Master Indenture or any Issuing Instrument or existing at law or in equity or by statute whether effective on or after the effective date of the Master Indenture. The assertion or employment of any right or remedy, under the Master Indenture or any Issuing Instrument or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Application of Net Revenues and Other Moneys After Default. If an Event of Default shall happen and shall not have been remedied, upon the written request of the Trustee, a Credit Provider or the Owners of not less than 10% of the aggregate principal amount of the Outstanding Senior Obligations, the County shall transfer to the Trustee all moneys held in all of the Funds maintained by the County under the Master Indenture and shall transfer to the Trustee, at least monthly all the Net Revenues and Available Revenues received by the County.

During the continuance of an Event of Default, the Trustee shall apply any money or other property (other than Available Revenues) received by the Trustee pursuant to any right given or action taken under the provisions of the Master Indenture as described under this caption, to the following purposes and in the following order of priority:

First: To the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries for Senior Obligations and the amount to be paid to the Rebate Fund pursuant to the Rebate Instructions for Senior Obligations.

Second: To the payment of the principal, Redemption Price and Purchase Price of and interest on the Outstanding Senior Bonds, and amounts owed on the other Outstanding Senior Obligations then due and payable; provided however, that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by the Master Indenture as described in this clause, the Trustee shall apply the available money to the payment of the principal, Redemption Price and Purchase Price of and interest on and other amounts owed on all Outstanding Senior Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination or preference.

Third: To the payment to the Reserve Guaranty Providers, the amounts due with respect to Reserve Guaranties relating to Senior Obligations; provided however, that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by the Master Indenture as described in this clause with respect to all Reserve Guaranties relating to Senior Obligations, the Trustee shall apply the available money to the payment of the amounts then due with respect to all Reserve Guaranties relating to Senior Obligations ratably (based on the respective amounts to be paid), without any discrimination or preference.

Fourth: To the transfer to the Senior Debt Service Reserve Fund and each Senior Series Debt Service Reserve Fund and to each debt service reserve for other Outstanding Senior Obligations, the amount, if any, necessary so that the amount on deposit in the Senior Debt Service Reserve Fund and each Senior Series Debt Service Reserve Fund shall equal the applicable Senior Debt Service Reserve Requirement and the amount in each debt service reserve for other Outstanding Senior Obligations shall equal the amount required to be on deposit in such debt service reserve under the applicable Issuing Instrument; provided that that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by the Master Indenture as described in this clause, the Trustee shall apply the available money to the transfer to the Senior Debt Service Reserve Fund, each Senior Series Debt Service Reserve Fund and each debt service reserve for other Outstanding Senior Obligations ratably (based on the respective amounts to be paid), without any discrimination or preference.

Fifth: To the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries for Subordinate Obligations and the amount to be paid to the Rebate Fund pursuant to the Rebate Instructions for Subordinate Bonds.

Sixth: To the payment of the principal, Redemption Price and Purchase Price of and interest on the Outstanding Subordinate Bonds, and the amounts owed on the other Outstanding Subordinate Obligations then due and payable; provided however, that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by the Master Indenture as described in this clause, the Trustee shall apply the available money to the payment of the principal, Redemption Price and Purchase Price of and interest on and other amounts owed on all Outstanding Subordinate Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination or preference.

Seventh: To the payment to the Reserve Guaranty Providers, the amounts due with respect to Reserve Guaranties relating to Subordinate Obligations; provided however, that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by the Master Indenture as described in this clause with respect to all Reserve Guaranties relating to Subordinate Obligations, the Trustee shall apply the available money to the payment of the amounts due with respect to all Reserve Guaranties relating to Subordinate Obligations ratably (based on the respective amounts to be paid), without any discrimination or preference.

Eighth: To the transfer to the Subordinate Debt Service Reserve Fund and each Subordinate Series Debt Service Reserve Fund and to each debt service reserve for other Outstanding Subordinate Obligations, the amount, if any, necessary so that the amount on deposit in the Subordinate Debt Service Reserve Fund and each Subordinate Series Debt Service Reserve Fund shall equal the applicable Subordinate Debt Service Reserve Requirement and the amount in each debt service reserve for other Outstanding Subordinate Obligations shall equal the amount required to be on deposit in such debt service reserve under the applicable Issuing Instrument; provided that that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by the Master Indenture as described in this clause, the Trustee shall apply the available money to the transfer to the Subordinate Debt Service Reserve Fund, each Subordinate Series Debt Service Reserve Fund and each debt service reserve for other Outstanding Subordinate Obligations ratably (based on the respective amounts to be paid), without any discrimination or preference.

Ninth: To the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries for Junior Subordinate Obligations and the amount to be paid to the Rebate Fund pursuant to the Rebate Instructions for Junior Subordinate Obligations.

Tenth: To the payment of amounts due with respect to outstanding Junior Subordinate Obligations in accordance with the provisions of the applicable Supplemental Indenture or Issuing Instrument pursuant to which such Junior Subordinate Obligations have been issued; provided that that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by the Master Indenture as described in this clause, the Trustee shall apply the available money to the payments of amounts due with respect to all Junior Subordinate Obligations ratably (based on the respective amounts to be paid), without any discrimination or preference except as otherwise provided in the Issuing Instruments pursuant to which such Junior Subordinate Obligations have been issued.

Eleventh: To the payment of any other amounts due under the Master Indenture, any Issuing Instrument, the Bonds or the Obligations.

Notwithstanding the foregoing, Available Revenues shall be applied solely as provided under the caption "Available Revenues" above; provided, however, that if the ratable distribution provisions of clauses Second or Sixth above are applicable, the amounts that would otherwise be distributed pursuant to such clauses Second or Sixth to Obligations that are secured by Available Revenues shall be reduced by the amount of Available Revenues that are available for distribution to such Obligations as described under the caption "Available Revenues" above, and the moneys that become available as a result of such reduction shall then be distributed pursuant to Clauses Second or Sixth, as applicable, without regard to the provisions of the Master Indenture described in this paragraph.

If and whenever all overdue installments of interest on all Outstanding Obligations, together with the reasonable and proper charges, expenses and liabilities of the Fiduciaries and any other fiduciary for Obligations, and all other sums payable for the account of the County under the Master Indenture or any Issuing Instrument, including the principal and Redemption Price of all Outstanding Bonds and payment of the other Outstanding Obligations and unpaid interest on all Outstanding Obligations which shall then be payable, shall be paid by or for the account of the County, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Master Indenture and the Outstanding Obligations and the Issuing Instruments shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over all unexpended moneys in the hands of the Trustee (except moneys deposited or pledged, or required by the terms of the Master Indenture to be deposited or pledged, with the Trustee), and thereupon the County and the Trustee shall be restored, respectively, to their former positions and rights under the Master Indenture. No such payment by the Trustee nor such restoration of the County and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Master Indenture or impair any right consequent thereon.

The Trustee may in its discretion establish special record dates for the determination of the Owners of Obligations for various purposes, including without limitation, payment of defaulted interest and giving direction to the Trustee.

Restriction on Owner's Action. Except as otherwise provided in the Master Indenture as described in the second paragraph under this caption, no Owner of any Senior Obligation shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Master Indenture or any Issuing Instrument or the execution of any trust under the Master Indenture or any Issuing Instrument or for any remedy under the Master Indenture or any Issuing Instrument unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as described under this heading "Events of Default; Remedies," and the Owners of at least 25% in principal amount of the Senior Obligations then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Master Indenture or any Issuing Instrument or by the applicable laws of the State or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Senior Obligations shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the lien of the Master Indenture, or to enforce any right under the Master Indenture or any Issuing Instrument, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Master Indenture or any Issuing Instrument shall be instituted, had and maintained in the manner provided in the Master Indenture and any applicable Issuing Instrument and for the ratable benefit of all Owners of the Outstanding Senior Obligations, subject only to the provisions of the Master Indenture with respect to moneys held for particular Obligations.

Nothing in the Master Indenture, any Issuing Instrument or in the Senior Obligations contained shall affect or impair the obligation of the County, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Net Revenues and the Trust Estate, the principal amount, or Redemption Price if applicable, and any other payments of the Senior Obligations, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

If, and only if, the Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Subordinate Obligations and if, and only if, the Subordinate Obligations and Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Junior Subordinate Obligations.

Notice of Default. The Trustee shall, within thirty (30) days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default to each Credit Provider, each Reserve Guaranty Provider and each Owner of Obligations then Outstanding at such Owner's address, if any, appearing in the Bond Register.

Credit Providers. Unless provided otherwise in the applicable Supplemental Indenture or Issuing Instrument, any Credit Provider providing a Credit Support Instrument with respect to Obligations of such Series may exercise any right under the Master Indenture or the Supplemental Indenture authorizing the issuance of such Series of Obligations given to the Owners of the Obligations to which such Credit Support Instrument relates in lieu of such Owners.

THE TENTH SUPPLEMENTAL INDENTURE

General

The Tenth Supplemental Indenture authorizes the issuance of the Series 2020 Senior Bonds and prescribes their terms, conditions and form. Although certain provisions of the Tenth Supplemental Indenture are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Tenth Supplemental Indenture.

Terms of the Series 2020 Senior Bonds

The Series 2020 Senior Bonds shall be issued as Participating Senior Bonds, the payment of the principal of and interest on which, together with all other Outstanding Participating Senior Bonds, shall be secured by amounts in the Senior Debt Service Reserve Fund.

For a description of the maturity dates, principal amounts, interest rates, interest payment dates and redemption provisions for the Series 2020 Senior Bonds, see the inside cover page and the front part of this Official Statement under the caption "THE SERIES 2020 SENIOR BONDS."

Continuing Disclosure

The County covenants and agrees to comply with the Series 2020 Continuing Disclosure Certificate as it may be amended or supplemented. Notwithstanding any other provision of the Indenture, failure of the County to comply with the requirements of the Series 2020 Continuing Disclosure Certificate, as it may from time to time be amended or supplemented, shall not be considered an Event of Default and the Trustee shall have no right to accelerate amounts due under the Master Indenture as a result thereof; provided, however, that the Trustee and the Owners of not less than 25% in principal amount of the Outstanding Series 2020 Senior Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations in the Tenth Supplemental Indenture with respect to the Series 2020 Continuing Disclosure Certificate.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy or completeness thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2020 Senior Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Series 2020 Senior Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2020 Senior Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The County and the Underwriters of the Series 2020 Senior Bonds have no responsibility or liability for any aspects 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, or interest in the Series 2020 Senior Bonds.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2020 Senior Bonds. The Series 2020 Senior Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2020 Senior Bond will be issued for each maturity of the Series 2020 Senior Bonds, in the aggregate principal amount of such maturity, 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The foregoing internet address is included for reference only, and the information on this internet site is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Senior Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 Senior Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Senior 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 Bonds, except in the event that use of the book-entry system for the Series 2020 Senior Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Senior 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2020 Senior Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County (or the Trustee on behalf thereof) 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2020 Senior 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, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or 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.

DTC may discontinue providing its services as depository with respect to the Series 2020 Senior Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Series 2020 Senior Bonds will be printed and delivered.

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

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Sacramento (the "County") in connection with the issuance of its $79,705,000 Airport System Senior Revenue Refunding Bonds, Series 2020 (Non-AMT Private Activity) (the "Series 2020 Bonds").

The Series 2020 Bonds are being issued pursuant to a Master Indenture of Trust, dated as of May 1, 2008, between the County and The Bank of New York Mellon Trust Company, NA., as trustee (the "Trustee") (the "Master Indenture"), as supplemented by a Tenth Supplemental Indenture of Trust, dated as of August 1, 2020, between the County and the Trustee (the "Tenth Supplemental Indenture" and, together with the Master Indenture, as so supplemented and as supplemented and amended from time to time, the "Indenture"). In connection therewith the County covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Series 2020 Bonds and in order to assist the Participating Underwriters (as defined herein) in complying with SEC (as defined herein) Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate 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 Certificate.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities (as defined in the Rule) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Listed Event" shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

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

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of California.

"Participating Underwriters" shall mean any of the original underwriters of the Series 2020 Bonds listed on the cover page of the Official Statement (as defined herein) required to comply with the Rule in connection with offering of the Series 2020 Bonds.

SECTION 3. Provision of Annual Reports.

(a) The County shall, not later than seven months after the end of the County's Fiscal Year (presently June 30), commencing with the report for the 2019-20 Fiscal Year, provide to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided 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(a).

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall send to the MSRB a notice in substantially the form attached hereto as Exhibit A.

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

(a) The audited financial statements of the County (including the Airport System) 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; provided, that 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.

(b) An annual updating, to reflect results of the most recently completed fiscal year, of information of the type contained in the following tables contained in the Official Statement for the Series 2020 Bonds, dated August 13, 2020 (the "Official Statement"):

1. Table 4 – Historical Enplaned Passengers - International Airport;

2. Table 6 – Historical Aircraft Landed Weight - International and Mather Airports;

3. Table 7 – Airlines' Market Shares of Enplaned Passengers – International Airport;

4. Table 10 – Statement of Revenues, Expenses and Changes in Net Position;

5. Table 11 – Airline and Nonairline Revenues; and

6. Table 14 – Historical and Estimated Revenues, Operating Expenses and Debt Service Coverage.

Any or all of the items listed above may be included by specific reference to other documents, including the audited financial statements of the County (including the Airport System), official statements of debt issues of the County relating to the Airport System, which have been submitted to the MSRB through the EMMA System; provided, that the County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2020 Bonds in a timely manner not more than 10 business days after the event:

(1) Principal and interest payment delinquencies;

(2) Unscheduled draws on debt service reserves reflecting financial difficulties;

(3) Unscheduled draws on credit enhancements reflecting financial difficulties;

(4) Substitution of credit or liquidity providers, or their failure to perform;

(5) Issuance by the Internal Revenue Service (the "IRS") of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(6) Tender offers;

(7) Defeasances;

(8) Rating changes;

(9) Bankruptcy, insolvency, receivership or similar event of the County.

Note: for the purposes of the event identified in Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County; or

(10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2020 Bonds, if material:

(1) Unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the IRS with respect to the tax status of the Series 2020 Bonds or other material events affecting the tax status of the Series 2020 Bonds;

(2) Modifications to rights of holders of the Series 2020 Bonds;

(3) Optional, unscheduled or contingent bond calls;

(4) Release, substitution, or sale of property securing repayment of the Series 2020 Bonds;

(5) Non-payment related defaults;

(6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) Appointment of a successor or additional trustee or the change of name of a trustee; or

8. Incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect holders of the Series 2020 Bonds

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the County shall as soon as possible determine if such event would be material under applicable federal securities laws. If the County determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the County shall file a notice of such occurrence with EMMA in a timely manner not more than 10 business days after the event.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Series 2020 Bonds, or (b) if, in the opinion of nationally recognized bond counsel, the County ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Series 2020 Bonds or the Series 2020 Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs pursuant to clause (a) of this section, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived; provided, that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), 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 Series 2020 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 Series 2020 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 Series 2020 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally-recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2020 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, 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(a) or 5(b), 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 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. 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 Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any Holder or Beneficial Owner of the Series 2020 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Participating Underwriters and the Holders and Beneficial Owners from time to time of the Series 2020 Bonds, and shall create no rights in any other person or entity.

Date: August 20, 2020.

COUNTY OF SACRAMENTO

By: ______________________________________

Chief Fiscal Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of County: COUNTY OF SACRAMENTO

Name of Issue: $79,705,000 Airport System Senior Revenue Refunding Bonds, Series 2020 (Non-AMT Private Activity)

Date of Issuance: August 20, 2020

NOTICE IS HEREBY GIVEN that the County of Sacramento has not provided an Annual Report with respect to the above-named Bonds as required by the Master Indenture of Trust, dated as of May 1, 2008, between the County and The Bank of New York Mellon Trust Company, NA., as trustee (the "Trustee") (the "Master Indenture"), as supplemented and amended. The County anticipates that the Annual Report will be filed by ___________________________.

Dated: _________________________________

COUNTY OF SACRAMENTO

By____

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APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

August 20, 2020

Board of Supervisors,
County of Sacramento
Sacramento, California

County of Sacramento
Airport System Senior Revenue Refunding Bonds, Series 2020 (Non-AMT Private Activity)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Sacramento (the "County") in connection with the issuance of $79,705,000 aggregate principal amount of County of Sacramento Airport System Senior Revenue Refunding Bonds, Series 2020 (Non-AMT Private Activity) (the "Bonds"), issued pursuant to a Master Indenture of Trust, dated as of May 1, 2008 (as previously supplemented and amended, the "Master Indenture"), as supplemented by a Tenth Supplemental Indenture of Trust, dated as of August 1, 2020 (the "Tenth Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), each between the County and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Tax Certificate relating to the Bonds, dated the date hereof (the "Tax Certificate"), executed by the County; opinions of counsel to the County and the Trustee; certificates of the County, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated August 13, 2020, or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the County.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the County. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Trust Estate, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Bond for any period that such Bond is held by a "substantial user" of the facilities financed or refinanced by such Bond or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

COUNTY OF SACRAMENTO • AIRPORT SYSTEM SENIOR REVENUE REFUNDING BONDS, SERIES 2020 (NON-AMT PRIVATE ACTIVITY)

SACRAMENTO COUNTY

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com