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 2024 Senior Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2024 Senior Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Series 2024 Senior Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. 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 2024 Senior Bonds. See "TAX MATTERS."

$467,270,000
COUNTY OF SACRAMENTO
Airport System Senior Revenue Bonds, Series 2024 (Non-AMT)

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

The County of Sacramento (the "County") is issuing its $467,270,000 Airport System Senior Revenue Bonds, Series 2024 (Non-AMT) (the "Series 2024 Senior Bonds"). The Series 2024 Senior Bonds are being issued to: (i) pay the costs of certain capital improvements at Sacramento International Airport; (ii) provide for a deposit to the Senior Debt Service Reserve Fund; (iii) pay a portion of the interest to accrue on the Series 2024 Senior Bonds; and (iv) pay certain costs of issuance of the Series 2024 Senior Bonds, all as more fully described herein. See "PLAN OF FINANCE."

The Series 2024 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 an Eleventh Supplemental Indenture of Trust, dated as of October 1, 2024, between the County and the Trustee (the "Eleventh Supplemental Indenture" and, together with the Master Indenture, as supplemented and amended from time to time, the "Indenture").

The Series 2024 Senior Bonds are secured by the Trust Estate, 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 derived by the County from the operation of the Airport System. The Series 2024 Senior Bonds constitute Senior Obligations 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 2024 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 2024 SENIOR BONDS — Additional Senior Obligations" and " – Existing Senior Obligations."

The County has previously issued Subordinate Obligations 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 secured by the Trust Estate and payable from the Net Revenues on a subordinate basis to the Senior Obligations subject to the terms and conditions of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 SENIOR BONDS —Additional Subordinate Obligations," " – Existing Subordinate Obligations" and " – Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations."

Interest on the Series 2024 Senior Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2025, at the rates set forth on the inside cover page.

THE PRINCIPAL, REDEMPTION PRICE, INTEREST AND OTHER PAYMENTS ON THE SERIES 2024 SENIOR BONDS ARE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THE PAYMENT THEREOF, AND THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2024 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, REDEMPTION PRICE, INTEREST AND OTHER PAYMENTS ON THE SERIES 2024 SENIOR BONDS AND NO TAX OR ASSESSMENT SHALL EVER BE LEVIED OR COLLECTED TO PAY THE PRINCIPAL, REDEMPTION PRICE, INTEREST AND OTHER PAYMENTS ON THE SERIES 2024 SENIOR BONDS. THE SERIES 2024 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, AND NEITHER THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, INTEREST OR OTHER PAYMENTS ON THE SERIES 2024 SENIOR BONDS IS A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OR THE STATE OF CALIFORNIA.

The Series 2024 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, redemption price, if any, and interest on the Series 2024 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 2024 Senior Bonds are subject to optional and mandatory sinking fund redemption prior to their respective stated maturities as described herein. See "THE SERIES 2024 SENIOR BONDS — Redemption Provisions."

This cover page, including the inside cover page 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. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Series 2024 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 LLP, Sacramento, California, its Disclosure Counsel, and on behalf of the Underwriters by their counsel, Kutak Rock LLP. It is expected that the Series 2024 Senior Bonds in book – entry form will be available for delivery through the DTC book – entry system, on or about October 10, 2024.

Wells Fargo Securities

BofA Securities **Piper Sandler & Co.** **Ramirez & Co., Inc.**

Dated: September 24, 2024

MATURITY SCHEDULE

$218,750,000 Serial Series 2024 Senior Bonds

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†]
2028	$8,705,000	5.00%	2.25%	109.770	786107UG5
2029	9,140,000	5.00	2.25	112.258	786107UH3
2030	9,600,000	5.00	2.35	114.114	786107UJ9
2031	10,080,000	5.00	2.47	115.584	786107UK6
2032	10,580,000	5.00	2.50	117.459	786107UL4
2033	11,110,000	5.00	2.61	118.537	786107UM2
2034	11,665,000	5.00	2.69	119.647	786107UN0
2035	12,250,000	5.00	2.76	118.987[C]	786107UP5
2036	12,860,000	5.00	2.83	118.331[C]	786107UQ3
2037	13,505,000	5.00	2.91	117.587[C]	786107UR1
2038	14,180,000	5.00	2.95	117.217[C]	786107US9
2039	14,890,000	5.00	3.04	116.390[C]	786107UT7
2040	10,535,000	5.00	3.13	115.569[C]	786107UU4
2041	16,160,000	5.00	3.26	114.397[C]	786107UV2
2042	16,970,000	5.00	3.32	113.860[C]	786107UW0
2043	17,815,000	5.00	3.40	113.149[C]	786107UX8
2044	18,705,000	5.00	3.48	112.444[C]	786107UY6

$53,815,000 5.00% Term Series 2024 Senior Bonds Due July 1, 2049 - Yield 3.70% Price 110.531[C] CUSIP 786107UZ3[†]

$55,000,000 5.25% Term Series 2024 Senior Bonds Due July 1, 2049 - Yield 3.65% Price 112.993[C] CUSIP 786107VA7[†]

$70,000,000 5.00% Term Series 2024 Senior Bonds Due July 1, 2054 - Yield 3.80% Price 109.674[C] CUSIP 786107VB5[†]

$69,705,000 5.25% Term Series 2024 Senior Bonds Due July 1, 2054 - Yield 3.75% Price 112.123[C] CUSIP 786107VC3[†]

[C] Priced to the optional redemption date of July 1, 2034, at par.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the County nor the Underwriters take any responsibility for the accuracy of such numbers.

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 2024 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 2024 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.

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 2024 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 2024 Senior Bonds have not been registered or qualified under the securities laws of any state.

The County and the Airport System maintain websites and social media accounts, 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 2024 Senior Bonds. Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and social media accounts and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

County of Sacramento
Board of Supervisors

Patrick Kennedy	Chair, Supervisor, District 2
Phil Serna	Vice-Chair, Supervisor, District 1
Rich Desmond	Supervisor, District 3
Sue Frost	Supervisor, District 4
Pat Hume	Supervisor, District 5

County Officials

David Villanueva	County Executive
Lisa Travis	County Counsel
Amanda Thomas	Chief Fiscal Officer
Chad Rinde	Director of Finance
Colin Bettis	County Debt Officer
Cindy Nichol	Director of Airports
Chris Wimsatt	Deputy Director of Airports for Finance & Administration

Special Services

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Stradling Yocca Carlson & Rauth LLP

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Municipal Advisor

PFM Financial Advisors LLC
San Francisco, California

Airport Consultant

Ricondo & Associates, Inc.

TABLE OF CONTENTS

Page

[THIS PAGE INTENTIONALLY LEFT BLANK]

$467,270,000
COUNTY OF SACRAMENTO
Airport System Senior Revenue Bonds
Series 2024
(Non-AMT)

INTRODUCTION

This introduction contains only a brief summary of the terms included for the Series 2024 Senior Bonds (as defined below) 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 (the "State") 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 page and appendices hereto, is to set forth certain information concerning the issuance and sale of the County of Sacramento (the "County") $467,270,000 Airport System Senior Revenue Bonds, Series 2024 (Non-AMT) (the "Series 2024 Senior Bonds"). The Series 2024 Senior Bonds are being issued to: (i) pay the costs of certain capital improvements (the "2024 Project") at Sacramento International Airport ("International Airport"); (ii) provide for a deposit to the Senior Debt Service Reserve Fund; (iii) pay a portion of the interest to accrue on the Series 2024 Senior Bonds; and (iv) pay certain costs of issuance of the Series 2024 Senior Bonds, all as more fully described herein. See "—The 2024 Project; SMForward" and "PLAN OF FINANCE."

The County 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 currently comprised of International Airport, Sacramento Mather Airport ("Mather Airport"), Sacramento Executive Airport ("Executive Airport"), and Franklin Field. See the definition of "Airport System" in the hereinafter defined Indenture for a complete definition of "Airport System." 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 County Department of Airports (the "Department"), which is managed by the Director of Airports (the "Director"). The Director reports to the Deputy County Executive for Community Services. See "THE AIRPORT SYSTEM"

The 2024 Project; SMForward

The 2024 Project consists of the construction of (i) a pedestrian walkway connecting the existing Terminal B to Concourse B (the "Pedestrian Walkway"); (ii) a new parking garage to be located adjacent to Terminal B (the "Terminal B Parking Garage"); and (iii) a new exit road from the existing Terminal A.

The 2024 Project constitutes the initial portion of "SMForward," the largest capital improvement initiative in International Airport's history with a total budget of $1.3 billion, with goals to enhance customer convenience, comfort, and accessibility at International Airport, while meeting projected passenger traffic demand. Future SMForward projects include a ground transportation center, an expansion of Concourse B, enhanced amenities at Terminal A, and a consolidated rental car center (the "Consolidated Rental Car Center"). With the exception of the Consolidated Rental Car Center, the Airport System intends to finance costs associated with future SMForward projects through a combination of additional Obligations payable from Net Revenues (which may include Transportation Infrastructure Finance and Innovation Act ("TIFIA") loans) and Passenger Facility Charge revenue. The financing for the Consolidated Rental Car Facility is currently expected to be payable from Customer Facility Charges (defined herein), and not from Net Revenues.

See "SMFORWARD" and "CAPITAL PROJECTS AND PLANNING" for additional information concerning SMForward and the International Airport Capital Improvement Plan (the "CIP"), including, projected timing, costs and sources of funding.

The Series 2024 Senior Bonds

The Series 2024 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 an Eleventh Supplemental Indenture of Trust, dated as of October 1, 2024 between the County and the Trustee (the "Eleventh 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 2024 Senior Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturities as described herein. See "THE SERIES 2024 SENIOR BONDS – Redemption Provisions."

The Series 2024 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 2024 Senior Bonds

The Series 2024 Senior Bonds are secured by the Trust Estate (as defined in APPENDIX C – "SUMMARY OF THE INDENTURE"), 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 2024 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 and any Senior Obligations issued in the future. 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 2024 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 2024 SENIOR BONDS — Additional Senior Obligations" and " – Existing Senior Obligations." As described in "PLAN OF FINANCE," "SMFORWARD" and "CAPITAL PROJECTS AND PLANNING" the County currently expects to incur $311.2 million of additional Senior Obligations through Fiscal Year 2028-29 to fund costs in connection with SMForward and the CIP.

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 2024 SENIOR BONDS —Additional Subordinate Obligations," " – Existing Subordinate Obligations" and " – Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations."

THE PRINCIPAL, REDEMPTION PRICE, INTEREST AND OTHER PAYMENTS ON THE SERIES 2024 SENIOR BONDS ARE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THE PAYMENT THEREOF, AND THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2024 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, REDEMPTION PRICE, INTEREST AND OTHER PAYMENTS ON THE SERIES 2024 SENIOR BONDS AND NO TAX OR ASSESSMENT SHALL EVER BE LEVIED OR COLLECTED TO PAY THE PRINCIPAL, REDEMPTION PRICE, INTEREST AND OTHER PAYMENTS ON THE SERIES 2024 SENIOR BONDS. THE SERIES 2024 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, AND NEITHER THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, INTEREST OR OTHER PAYMENTS ON THE SERIES 2024 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 2024 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 2024 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 2024 Senior Bonds, the Series 2024 Senior Bonds, 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 2024 SENIOR BONDS — Senior Debt Service Reserve Fund."

Existing Obligations

Senior Obligations. The following table describes the County's outstanding Senior Obligations as of August 1, 2024.

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")	40,125,000
Airport System Senior Revenue Refunding Bonds, Series 2018B (Non-AMT Private Activity) (the "Series 2018B Senior Bonds")	69,275,000
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")	248,490,000
Airport System Senior Revenue Refunding Bonds, Series 2020 (Non-AMT Private Activity) (the "Series 2020 Senior Bonds")	73,820,000
Total	$520,710,000

Subordinate Obligations. The following table describes the County's outstanding Subordinate Obligations as of August 1, 2024:

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")	6,460,000
Airport System Subordinate Revenue Refunding Bonds, Series 2018E (Non-AMT Private Activity) (the "Series 2018E Subordinate Bonds" and, together with the Series 2018D Subordinate Bonds, the Series 2018 Subordinate Bonds")	96,260,000
Airport System Subordinate Revenue Notes, Series 2022 Subseries A (AMT) and Subseries B (Taxable) (collectively, the "Series 2022 Subordinate Notes")	20,026,131
Total	$215,536,131

The Series 2022 Subordinate Notes were issued as Subordinate Obligations under the Master Indenture and a resolution of the County dated November 15, 2022. In connection with the issuance of the Series 2022 Subordinate Notes, the County entered into a Revolving Credit Agreement, dated as of December 8, 2022 (the "Revolving Credit Agreement"), with Wells Fargo Bank, National Association, as lender. Under the Revolving Credit Agreement, the County may draw up to $50 million maximum principal amount outstanding at any time to pay costs of the Airport System. Amounts drawn on the Revolving Credit

Agreement bear interest at a Secured Overnight Financing Rate-based variable rate. Interest is payable on a monthly basis, with principal due on the date of expiration of the Revolving Credit Agreement (which is currently December 8, 2025). The Revolving Credit Agreement provides that, subject to certain conditions set forth in the Revolving Credit Agreement, amounts outstanding may be converted to term loans, payable on the third anniversary of the conversion date. The Revolving Credit Agreement provides that amounts payable pursuant to the Revolving Credit Agreement are not subject to acceleration while any Senior Obligations are outstanding. The obligations of the County under the Revolving Credit Agreement constitute Subordinate Obligations under the 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 2024 SENIOR BONDS– Rate Covenant" and APPENDIX C– "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE – Covenants and Obligations of the County – Rates and Charges."

Airport Consultant Report

Ricondo & Associates, Inc. ("Ricondo") has served as consultant to the County for the Airport System with respect to the issuance of the Series 2024 Senior Bonds. Ricondo has provided consulting services to the County for over 10 years. In Ricondo's capacity as consultant to the County with respect to the Series 2024 Senior Bonds, Ricondo prepared and provided the Airport Consultant Report attached to this Official Statement as Appendix A (the "Airport Consultant Report"). The Airport Consultant Report has been included in this Official Statement in reliance on the authority of Ricondo and its subconsultants as experts in traffic matters and financial projections relating to airports such as International Airport.

In the Airport Consultant Report, Ricondo concludes that Net Revenues in each year during Fiscal Year 2024-25 through Fiscal Year 2029-30 (the "Projection Period") will be sufficient to meet the County's obligations under the Indenture. While the County has provided certain historical information as to International Airport operations and financial results included in the Airport Consultant Report and believes that the assumptions, conclusions and projections in the Airport Consultant Report are reasonable, the County assumes no responsibility for the conclusions or projections found in the Airport Consultant Report.

As stated in the Airport Consultant Report, all projections are subject to uncertainties. There will likely be differences between projected and actual results, and those differences may be material and adverse. The Airport Consultant Report will not be updated to reflect the final terms of the Series 2024 Senior Bonds or other changes occurring after the date of such report.

See "AIRPORT CONSULTANT REPORT" and the Airport Consultant Report in Appendix A.

Investment Considerations

An investment in the Series 2024 Senior Bonds involves risks. For a summary of certain risk factors associated with an investment in the Series 2024 Senior Bonds, see "INVESTMENT CONSIDERATIONS."

Continuing Disclosure

The County has covenanted for the benefit of the holders and beneficial owners of the Series 2024 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 2023-24, 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 2024 Senior Bonds, together with summaries of the terms of the Series 2024 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 2024 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 FINANCE

The Series 2024 Senior Bonds are being issued to: (i) pay the costs of the 2024 Project; (ii) provide for a deposit to the Senior Debt Service Reserve Fund; (iii) pay a portion of the interest to accrue on the Series 2024 Senior Bonds; and (iv) pay certain costs of issuance of the Series 2024 Senior Bonds. See "SMFORWARD" for a description of the elements of SMForward that are part of the 2024 Project, as well as the elements of SMForward in addition to the 2024 Project. The elements of SMForward that are part of the 2024 Project consist of the construction of a pedestrian walkway between the existing Terminal B and Concourse B, the Terminal B parking garage, and a new exit roadway from Terminal A to allow for better traffic flow and to facilitate traffic pattern changes required for subsequent projects.

See "CAPITAL PROJECTS AND PLANNING - Anticipated Additional Senior Obligations, Subordinate Obligations and CFC Secured Obligations" for additional information concerning the anticipated additional Senior Obligations, Subordinate Obligations and CFC Secured Obligations identified in the Airport Consultant Report. See APPENDIX A – "AIRPORT CONSULTANT REPORT" for a description of the overall sources of funding for the costs of SMForward and the rest of the CIP.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Series 2024 Senior Bonds are as follows:

SOURCES:		
Par Amount	$	467,270,000.00
Original Issue Premium		62,059,837.10
TOTAL	$	529,329,837.10
USES:		
Deposit to Construction Fund	$	466,018,655.41
Deposit to Senior Debt Service Reserve Fund		17,764,103.78
Deposit to Capitalized Interest Account[(1)]		43,892,858.14
Costs of Issuance[(2)]		1,654,219.77
TOTAL	$	529,329,837.10

(1) Represents a portion of the interest on the Series 2024 Senior Bonds through and including January 1, 2027.

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

THE SERIES 2024 SENIOR BONDS

General

The Series 2024 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 2024 Senior Bonds is payable on January 1, 2025 and semiannually thereafter on January 1 and July 1 in each year, at the rates set forth on the inside cover page.

The Series 2024 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 2024 Senior Bonds. For so long as Cede & Co., as nominee of DTC, is registered owner of the Series 2024 Senior Bonds, payments of the principal of, premium, if any, and interest on the Series 2024 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 2024 Senior Bonds maturing on and after July 1, 2035 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, 2034 at the Redemption Price equal to the principal amount of the Series 2024 Senior Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Redemption. The Series 2024 Senior Bonds maturing on July 1, 2049 and bearing interest at a rate of 5.00% per annum are subject to mandatory redemption prior to their maturity, or payment at maturity, as the case may be, by the County, in part by lot on July 1 of each year on and after July 1, 2045, from and in the amount of the Sinking Fund Installments due and payable on the dates and in the amounts, as provided below, at the Redemption Price equal to the principal amount of such Series 2024 Senior Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium.

Sinking Fund Installment Date (July 1)	Sinking Fund Installment
2045	$9,740,000
2046	10,225,000
2047	10,740,000
2048	11,275,000
2049*	11,835,000

* Final Maturity

The Series 2024 Senior Bonds maturing on July 1, 2049 and bearing interest at a rate of 5.25% per annum are subject to mandatory redemption prior to their maturity, or payment at maturity, as the case may be, by the County, in part by lot on July 1 of each year on and after July 1, 2045 from and in the amount of the Sinking Fund Installments due and payable on the dates and in the amounts as set forth in the following schedule, at the Redemption Price equal to the principal amount of such Series 2024 Senior Bonds to be redeemed, without premium:

Sinking Fund Installment Date (July 1)	Sinking Fund Installment
2045	$ 9,905,000
2046	10,425,000
2047	10,970,000
2048	11,545,000
2049*	12,155,000

* Final Maturity

The Series 2024 Senior Bonds maturing on July 1, 2054 and bearing interest at a rate of 5.00% per annum are subject to mandatory redemption prior to their maturity, or payment at maturity, as the case may be, by the County, in part by lot on July 1 of each year on and after July 1, 2050 from and in the amount of the Sinking Fund Installments due and payable on the dates and in the amounts as set forth in the following schedule, at the Redemption Price equal to the principal amount of such Series 2024 Senior Bonds to be redeemed, without premium:

Sinking Fund Installment Date (July 1)	Sinking Fund Installment
2050	$12,670,000
2051	13,300,000
2052	13,965,000
2053	14,665,000
2054*	15,400,000

* Final Maturity

The Series 2024 Senior Bonds maturing on July 1, 2054 and bearing interest at a rate of 5.25% per annum are subject to mandatory redemption prior to their maturity, or payment at maturity, as the case may be, by the County, in part by lot on July 1 of each year on and after July 1, 2050 from and in the amount of the Sinking Fund Installments due and payable on the dates and in the amounts as set forth in the following schedule, at the Redemption Price equal to the principal amount of such Series 2024 Senior Bonds to be redeemed, without premium:

Sinking Fund Installment Date (July 1)	Sinking Fund Installment
2050	$12,550,000
2051	13,215,000
2052	13,905,000
2053	14,635,000
2054*	15,400,000

* Final Maturity

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 2024 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 2024 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 2024 Senior Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2024 Senior Bonds so to be redeemed, and, in the case of Series 2024 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 2024 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 2024 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 2024 Senior Bonds to be redeemed, from and after such date interest on such Series 2024 Senior Bond or the portion of such Series 2024 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 2024 Senior Bonds and failure of any Owner of a Series 2024 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 2024 Senior Bonds. Any defect in such notice given to the Owners of less than all of the Series 2024 Senior Bonds to be redeemed shall not affect the validity of the proceedings for the redemption of the Series 2024 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 2024 Senior Bonds are not on deposit with the Trustee at the time the notice with respect to any redemption of Series 2024 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 2024 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 2024 Senior Bonds. In the event a notice of redemption of Series 2024 Senior Bonds contains such a condition and such moneys are not so received, the redemption of Series 2024 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 2024 Senior Bonds pursuant to the conditional notice of redemption.

Selection of Series 2024 Senior Bonds to Be Redeemed. If less than all of the Outstanding Series 2024 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 2024 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 2024 Senior Bond to be redeemed in part, the portion of such Series 2024 Senior Bond which is not to be redeemed shall be in an Authorized Denomination). If less than all of the Series 2024 Senior Bonds of like maturity are to be called for prior redemption, the particular Series 2024 Senior Bonds or portions of Series 2024 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 2024 Senior Bonds to be redeemed (in whole or in part) and the amount necessary to pay the Redemption Price of the Series 2024 Senior Bonds to be redeemed is available therefor on the date fixed for redemption, then the Series 2024 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 2024 Senior Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Series 2024 Senior Bonds or portions thereof shall cease to bear further interest and after the date fixed for redemption no Owner of such Series 2024 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 2024 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 2024 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 Internal Revenue Code of 1986, as amended (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."

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, REDEMPTION PRICE, INTEREST AND OTHER PAYMENTS ON THE SERIES 2024 SENIOR BONDS ARE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THE PAYMENT THEREOF, AND THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2024 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, REDEMPTION PRICE, INTEREST AND OTHER PAYMENTS ON THE SERIES 2024 SENIOR BONDS AND NO TAX OR ASSESSMENT SHALL EVER BE LEVIED OR COLLECTED TO PAY THE PRINCIPAL, REDEMPTION PRICE, INTEREST AND OTHER PAYMENTS ON THE SERIES 2024 SENIOR BONDS. THE SERIES 2024 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, AND NEITHER THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, INTEREST OR OTHER PAYMENTS ON THE SERIES 2024 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 2024 Senior Bonds, the Series 2024 Senior Bonds, 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, the Series 2016 Subordinate Bonds, the Series 2022 Subordinate Notes and the County's obligations under the Revolving Credit Agreement 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 2024 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 2024 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, an 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 2024 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 2024 Senior Bonds, the Series 2016 Senior Bonds, the Series 2018 Senior Bonds, the Series 2020 Senior Bonds and the Series 2024 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 2024 Senior Bonds, the Senior Debt Service Reserve Requirement will be approximately $69.7 million which will be satisfied by amounts currently on deposit in the Senior Debt Service Reserve Fund in the amount of approximately $20.3 million, a deposit of a portion of the proceeds of the Series 2024 Senior Bonds in the amount of $17,764,103.78 and a Reserve Policy issued by Assured Guaranty, Inc., successor by merger with 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 2024 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 2024 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 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 2024 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 2024 Senior Bonds or any other Senior Obligation, Junior Subordinate Obligation or Junior Obligation.**

Additional Senior Obligations

The Series 2024 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.

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 2024 Senior Bonds, the Series 2020 Senior Bonds (which are currently outstanding in the aggregate principal amount of $73,820,000), the Series 2018 Senior Bonds (which are currently outstanding in the aggregate principal amount of $357,890,000), the Series 2016 Senior Bonds (which are currently outstanding in the aggregate principal amount of $89,000,000) and the Series 2024 Senior Bonds, 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 August 1, 2024, the Series 2016 Subordinate Bonds (which are currently outstanding in the aggregate principal amount of $92,790,000), the Series 2018 Subordinate Bonds (which are currently outstanding in the aggregate principal amount of $102,720,000) and the Series 2022 Subordinate Notes (which have a maximum principal amount that may be outstanding at any time of $50,000,000 and are currently outstanding in the principal amount of $20,026,131.43), together with the County's obligations under the Revolving Credit Agreement, 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 Senior Obligations (the Series 2024 Senior Bonds, the Series 2020 Senior Bonds, the Series 2018 Senior Bonds and the Series 2016 Senior Bonds) and the Subordinate Obligations (the Series 2016 Subordinate Bonds and the Series 2018 Subordinate Bonds). The following table does not include debt service with respect to the Series 2022 Subordinate Notes, which are currently outstanding in the principal amount of $20,026,131.43. As described in the Airport Consultant Report, the Series 2022 Subordinate Notes are expected to be repaid with the proceeds of future Senior Obligations or Subordinate Obligations.

Year Ending	Outstanding Senior Obligations		Series 2024 Senior Bonds		Total Senior Obligation Debt Service	Total Subordinate Obligation Debt Service	Total Debt Service
Jul 1	Principal	Interest	Principal	Interest*			
2025	$20,440,000	$25,745,650	-	$17,164,565	$63,350,215	$17,050,500	$80,400,715
2026	21,455,000	24,723,650	-	23,675,263	69,853,913	17,051,750	86,905,663
2027	21,635,000	23,650,900	-	23,675,263	68,961,163	17,429,750	86,390,913
2028	22,715,000	22,569,150	$8,705,000	23,675,263	77,664,413	17,434,750	95,099,163
2029	23,850,000	21,433,400	9,140,000	23,240,013	77,663,413	17,433,500	95,096,913
2030	25,040,000	20,240,900	9,600,000	22,783,013	77,663,913	17,430,250	95,094,163
2031	26,290,000	18,988,900	10,080,000	22,303,013	77,661,913	17,429,000	95,090,913
2032	27,600,000	17,674,400	10,580,000	21,799,013	77,653,413	17,428,500	95,081,913
2033	29,850,000	16,294,400	11,110,000	21,270,013	78,524,413	17,432,500	95,956,913
2034	31,345,000	14,801,900	11,665,000	20,714,513	78,526,413	17,429,500	95,955,913
2035	32,905,000	13,234,650	12,250,000	20,131,263	78,520,913	15,388,500	93,909,413
2036	34,525,000	11,589,400	12,860,000	19,518,763	78,493,163	17,755,000	96,248,163
2037	36,195,000	9,916,750	13,505,000	18,875,763	78,492,513	17,757,250	96,249,763
2038	37,935,000	8,162,700	14,180,000	18,200,513	78,478,213	17,746,250	96,224,463
2039	39,575,000	6,323,800	14,890,000	17,491,513	78,280,313	17,726,000	96,006,313
2040	46,790,000	4,405,200	10,535,000	16,747,013	78,477,213	17,705,250	96,182,463
2041	42,565,000	2,128,250	16,160,000	16,220,263	77,073,513	17,687,250	94,760,763
2042	-	-	16,970,000	15,412,263	32,382,263	-	32,382,263
2043	-	-	17,815,000	14,563,763	32,378,763	-	32,378,763
2044	-	-	18,705,000	13,673,013	32,378,013	-	32,378,013
2045	-	-	19,645,000	12,737,763	32,382,763	-	32,382,763
2046	-	-	20,650,000	11,730,750	32,380,750	-	32,380,750
2047	-	-	21,710,000	10,672,188	32,382,188	-	32,382,188
2048	-	-	22,820,000	9,559,263	32,379,263	-	32,379,263
2049	-	-	23,990,000	8,389,400	32,379,400	-	32,379,400
2050	-	-	25,220,000	7,159,513	32,379,513	-	32,379,513
2051	-	-	26,515,000	5,867,138	32,382,138	-	32,382,138
2052	-	-	27,870,000	4,508,350	32,378,350	-	32,378,350
2053	-	-	29,300,000	3,080,088	32,380,088	-	32,380,088
2054	-	-	30,800,000	1,578,500	32,378,500	-	32,378,500
	$520,710,000	$261,884,000	$467,270,000	$466,417,003	$1,716,281,003	$295,315,500	$2,011,596,503

* A portion of interest accruing on the Series 2024 Senior Bonds will be paid from proceeds of the Series 2024 Senior Bonds deposited in the Capitalized Interest Account as follows: $17,164,565.31 in the year ending July 1, 2025; $21,774,836.03 in the year ending July 1, 2026; and $4,953,456.80 in the year ending July 1, 2027.

THE AIRPORT SYSTEM

Introduction

The Airport System currently consists of International Airport, Mather Airport, Executive Airport, and Franklin Field. International Airport was established in 1967, and is owned by the County and managed and operated by the Department. Designated as a medium air traffic hub by the Federal Aviation Administration ("FAA"), International Airport held the 37^{th} position in the United States for total passengers in calendar year 2023, as reported by the FAA.

In Fiscal Year 2023-24, International Airport accommodated approximately 6.6 million passengers. Historically, 95% or more of total passenger volume at International Airport has consisted of origin-destination traffic (passengers beginning or ending their trips at International Airport), with the remaining comprising connecting passengers.

The Air Service Region

The City of Sacramento (the "City"), the capital of California, serves as a pivotal center for government and commerce in the Sacramento River Valley, situated between the San Francisco Bay Area to the west and the Sierra Nevada Mountain range to the east. Positioned about 12 miles northwest of downtown Sacramento, International Airport sits adjacent to Interstate 5, a major north/south artery spanning the entire length of California, Oregon, and Washington. Furthermore, International Airport is just three freeway exits on Interstate 5 from Interstate 80, the primary east/west interstate highway connecting the San Francisco Bay Area with the Sacramento and Reno/Tahoe regions, as well as points further east.

The primary service area of International Airport encompasses seven counties: El Dorado, Placer, Sacramento, San Joaquin, Sutter, Yolo, and Yuba. These counties form three contiguous Metropolitan Statistical Areas (each an "MSA"): the Sacramento-Roseville-Folsom MSA (comprising of El Dorado, Placer, Sacramento, and Yolo counties), the Stockton-Lodi MSA (encompassing San Joaquin County), and the Yuba City MSA (including Sutter and Yuba counties). Together, these areas boast a combined population of approximately 3.3 million. The County believes that for nearly all residents of and visitors in the Sacramento Area, International Airport offers greater convenience in terms of geographical proximity and travel time compared to competing airports in the Bay Area and the Reno/Tahoe region. This advantage is due in part to the traffic congestion to Bay Area airports and the sometimes-challenging driving conditions in the mountains en route to Reno airport. International Airport is well situated to serve as the primary airport for access to significant attractions in and around Northern California, including the Napa wine country, Yosemite National Park, and Lake Tahoe due to proximity, favorable traffic conditions, and air service availability relative to airports in the Bay area, Reno/Tahoe region, or the central valley.

Organization and Management of the Airport System

The Airport System is managed by the Department, which operates under the oversight of the County's Board of Supervisors (the "Board"). Established in 1850, the County is one of California's original 27 counties. The City, the largest city in the County, serves as both the state capital and the County seat. The County operates under a charter form of government.

The Board, comprised of five members, each elected to staggered four-year terms, holds responsibility for governing the County. The County Executive, appointed by the Board, oversees the day-to-day operations of the County.

Department of Airports

The Department's leadership team is headed by the Director of Airports, who essentially serves as the department's chief executive officer. The Director reports to the Deputy County Executive for Community Services and serves at the pleasure of the Board.

As of June 30, 2024, the Department employed approximately 368 full-time equivalent personnel. Additionally, 91 individuals were assigned to the Department but worked for other County departments. Among these employees are 38 law enforcement personnel, 47 from the Department of General Services ("DGS"), 9 from the County Department of Technology, and 1 from the Department of Personnel Services.

Completing the leadership structure, the senior management team includes a Deputy Director of Finance and Administration, a Deputy Director of Planning and Development, a Deputy Director of Operations and Maintenance, and a Deputy Director of Commercial Development. Brief biographies of these senior management members are provided below:

Cindy Nichol. Ms. Nichol serves as the Director of Airports, overseeing airport management, operations, and strategic expansions. She began her role with the County in October of 2018, bringing with her a distinguished 34-year career in airport executive management, within both private and public sectors. Before joining the County, Ms. Nichol served as Chief Financial Officer for the Port of Portland, where she was responsible for financial management of three airports, four seaport terminals, five industrial parks, and a dredge. From 2008 to 2012, she held the position of Finance Director for San Francisco International Airport. Prior to that, from 1996 to 2008, she served as Director at one of the country's largest airport financial management consulting firms, leading a 60-person business and finance team.

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 actively plays key roles in industry leadership, including serving on Airports Council International of North America's (ACI-NA's) Executive Committee, and U.S. Policy Committee, and she chairs ACI-NA's Board Finance Committee. Additionally, she is a Group Manager for Executive Women in Aviation (EWIA), serves as a member of the Sacramento Chapter of the Women's Transportation Seminar (WTS) Advisory Board, and serves as Treasurer of the California Airports Council, demonstrating her leadership, expertise, and commitment in the aviation industry.

Chris Wimsatt. Mr. Wimsatt assumed the role of Deputy Director of Finance and Administration in August 2021. In this position, he oversees all financial functions for the Airport System, including Accounting, Financial Planning & Analysis, the Project Portfolio Office, and purchasing. Additionally, he is responsible for airport administration, Information Technology, and Human Resources functions. With over 10 years of experience in public and private sector finance, Mr. Wimsatt previously served as the Chief Financial Officer for the Department of Aviation in the City of Dayton, Ohio. Prior to that, he served as a Management Analyst for the City of Dayton Office of Management & Budget and held private banking and investment roles at Morgan Stanley and Westminster Financial Companies. He also served as the Senior Legislative Aide to the President Pro-Tempore of the Ohio Senate.

Mr. Wimsatt holds a Bachelor of Arts degree in Political Science from Ohio University and a Master of Business Administration degree from Western Governors University. He is actively involved in industry initiatives, serving as member of the Finance Committee steering group and as the Chair of the Financial Regulatory Workgroup for ACI-NA. Mr. Wimsatt is a frequent speaker on public finance and public policy topics and was named the 2024 Medium Hub Airport Finance Professional of the Year by Airports Council International – North America, as well as a 2023 Rising Star by The Bond Buyer.

Sheri Thompson-Duarte. Mrs. Thompson-Duarte serves as the Deputy Director of Operations and Maintenance, bringing with her 20 years of extensive experience in airport operations and maintenance across both commercial service and general aviation airports. Her background also includes two decades of aviation expertise gained from serving in the US Air Force. Sheri is accredited by the American Association of Airport Executives and holds a Master of Business Administration degree in Aviation from Embry-Riddle Aeronautical University.

In her role, Mrs. Thompson-Duarte oversees a wide array of responsibilities encompassing operations, maintenance, and facilities management, as well as public safety, including oversight of the Airport Fire department and safety management system. Her purview extends to Sacramento International, Mather, Executive, and Franklin Field airports. Within this capacity, she manages both landside and airside operations, including security protocols, the communications center, lost and found services, and ground transportation and parking facilities. Additionally, Mrs. Thompson-Duarte coordinates the on-airport services provided by Sacramento County's Sheriff's Department and Department of General Services.

<u>T.J. Chen</u>. Mr. Chen serves as the Deputy Director of Planning and Development, bringing a wealth of experience with over 25 years of experience in airport development. He began his career as an airport engineer at the San Francisco Airports District Office of the Federal Aviation Administration. Throughout his career, Mr. Chen has held various roles in project engineering and program management both in the United States and internationally.

Mr. Chen earned 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. He is also a distinguished graduate of the FAA's Program for Emerging Leaders and is a Certified Member of the American Association of Airport Executives. In his capacity, Mr. Chen is responsible for overseeing planning, environmental documentation and compliance, sustainability initiatives, noise, and wildlife management, as well as design and development functions for the Airport System.

<u>Stephen Clark</u>. Mr. Clark is the Deputy Director of Commercial Development. With over 17 years of experience in the aviation industry, 13 of which have been in senior leadership roles, Mr. Clark brings a wealth of expertise to his position. His career began as a ramp agent for a local fixed base operator, after which he transitioned to front-line supervisory roles at two major U.S.-based airlines.

Mr. Clark's trajectory continued as he served as the Director of Marketing and Technology for an aviation support provider, where he led efforts to grow the company into the largest privately owned entity in its category worldwide. Following this, he took on the role of Director of Business Development at Gerald R. Ford International Airport before being recruited to lead the Airport System's commercial development team. In his current role, Mr. Clark oversees the Airport System's real estate, business development, concessions, air service development, and marketing and communications activities.

Labor Relations

Out of the 368 permanent full-time equivalent positions within the Department, six positions were not affiliated with a collective bargaining unit. Per the County Code, the salaries and benefits of these unrepresented employees undergo an annual review. Most Department employees are affiliated with one of 10 collective bargaining organizations, as detailed in Table 1.

TABLE 1
Collective Bargaining Units
(as of June 30, 2024)

Bargaining Unit	Employees Represented
Local 39 – Operations & Maintenance – Stationary Engineers	149
Administrative Professionals Association	63
Sacramento County Aircraft Rescue Firefighters Association	28
Sacramento County Management Association	43
United Public Employees, Local 1 – Office-Technical Unit	35
General Supervisory	19
Association of Professional Engineers	13
Sacramento County Professional Accountants Association	6
Engineering Technician and Technical Inspection Association	3
Environmental Management Specialists of Sacramento County	3

Source: County of Sacramento, Department of Airports

All of the agreements with the collective bargaining units represented above are set to expire on June 30, 2025. Notably, International Airport has never experienced closure due to a strike. Beyond the County employees directly employed by the Department, employees from the County's Sheriff's Department, DGS, and Department of Technology are also assigned to support the Airport System's operations.

The Sheriff's Department contributes 38 permanent full-time employees to oversee security checkpoint response, traffic control, and landside police response for the Airport System. DGS allocates 47 permanent full-time employees to maintain the Airport System's facilities, while the Department of Technology provides support with nine full-time employees, including six full-time permanent personnel and three contractors. Additionally, the Department of Personnel Services allocates one permanent full-time employee who is responsible for employee relations, training, organizational development, and assisting with recruitment and hiring. The cost of personnel from other departments assigned to work at the Department is paid for using Airport System Revenues.

Existing Facilities at International Airport

International Airport spans approximately 6,000 acres of land, owned by the County in fee simple, subject only to certain liens or encumbrances that do not disrupt operations. A description of the facilities is as follows:

<u>Airfield.</u> The airfield is composed of two parallel runways, each measuring 8,600 feet in length: Runway 17L-35R (referred to as the east runway) and Runway 17R-35L (known as the west runway) These are completed by interconnected taxiways and aircraft parking aprons. The west runway, originally constructed in 1964-67, underwent significant reconstruction in 2019 using concrete, which included improvements to airfield drainage and lighting systems. The reconstructed runway surface is expected to meet or exceed the requirements of forecasted air traffic for the next 20 years. The expected lifespan of the east runway is at least 30 years.

Runway 17R-35L is equipped with a Category III Instrument Landing System ("ILS"), providing aircraft with advanced precision instrument approach capabilities. This ground-based system provides pilots with visual and electronic navigational aids, enabling safe landings even in conditions of limited outside visibility. Conversely, Runway 17L-35R is equipped with a Special Authorization Category II ILS, offering a slightly lower level of precision compared to the Category III system.

Passenger Terminals. International Airport is equipped with two terminals, boasting a combined total of thirty-two gates. Terminal A, completed in 1998, accommodates thirteen gates, while Terminal B, completed in 2011, offers nineteen gates. Terminal A serves airlines such as Air Canada, American, Delta and United, while Terminal B serves to operations by Aeroméxico, Alaska/Horizon, Frontier, Hawaiian, JetBlue, Southwest, Spirit, and Volaris. Approximately 21.1% of the rentable spaces within the passenger terminals have been designated for concessions.

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

Parking. International Airport provides five public parking facilities, catering to both short-and long-term parking needs. Among these options is the terminal parking garage, constructed in 2004, which boasts six floors and approximately 5,237 parking spaces, conveniently located between the terminals. Additional parking options include Daily lots offering 3,021 parking spaces, the East Economy lot accommodating 5,943 parking spaces and the West Economy lot providing 3,179 parking spaces. See "SMFORWARD – The 2024 Project."

Rental Car Facility. A full-service rental car facility with 848 ready return space for on-airport rental car companies is situated approximately one mile south of the terminal buildings. Passengers access rental car agencies from the Rental Car Facility by shuttle service.

Aviation Support Facilities. Primary aviation support facilities include equipment and parks maintenance facilities, a fuel farm, FAA air traffic control facilities, aircraft rescue and firefighting services, and airfield maintenance and support facilities located throughout the airport premises.

Other Airports

Mather Airport. Mather Airport traces its origins back to its establishment as a U.S. Air Force base. In March 1995, the County secured a 55-year lease with the U.S. Air Force, authorizing the utilization of 2,875 acres of the former Air Force Base for civilian aviation purposes. On May 5, 1995, Mather Airport reopened its doors as part of the Airport System, serving general aviation and cargo traffic. Ownership of Mather Airport was formally transferred from the U.S. Air Force to the County in November 2012. Serving as a reliever airport for International Airport, Mather Airport is equipped with two runways: Runway 4R-22L, spanning 11,300 feet, and Runway 4L-22R, spanning 6,040 feet. Additionally, it boasts a contract air traffic control tower, an aircraft parking apron, and several cargo and ancillary structures.

Runway 4R-22L underwent enhancement in 2019 with the installation of an SA Category II ILS, aimed at improving safety, enhancing precision instrument approach capabilities, and facilitating airfield accessibility during periods of reduced visibility. The FAA authorized SA Category II procedures for Runway 22L on December 5, 2019, allowing SA Category II approaches.

Presently, Mather Airport is the host of scheduled service by one all-cargo carrier, United Parcel Service. In Fiscal Year 2022-23, Mather Airport facilitated a total of 62,558 operations, including general aviation, military, and cargo activities. Notably, approximately 40.3% of all cargo activity within the Airport System occurred at Mather Airport during the same period. Its longer runway is tailored to accommodate cargo carriers, alleviating aircraft ramp congestion at International Airport. The County has no intention of utilizing Mather Airport for scheduled passenger airline service.

Executive Airport. Executive Airport functions as a designated reliever airport for International Airport, boasting two runways: Runway 2/20 spanning 5,503 feet and Runway 12/20 spanning 3,837 feet. Equipped with a contract air traffic control tower, the airport also offers tie-down and hangar facilities, capable of accommodating 500 general aviation aircraft. Throughout Fiscal Year 2022-23, the airport accommodated a total of 88,281 general aviation and military flight operations.

The County holds a lease for Executive Airport from the City under a 25-year agreement. Notably, this lease contains an "evergreen" clause, which automatically extends the initial 25-year term by an additional year each year, subject to either party having the discretion to terminate this extension.

Franklin Field. Franklin Field is a general aviation airport featuring two runways: Runway 9/27, measuring 3,031 feet, and Runway 18/36, spanning 3,123 feet. The airport leases land to tenants for portable hangar facilities. As of June 30, 2023, Franklin Field accommodated 21 based general aviation aircraft.

Airport Security

Acts of terrorism or fear thereof, including elevated national threat levels, as well as wars or other military conflicts, have the potential to dampen air travel demand, especially on international routes, leading to decreases in passenger numbers and increases in operational costs. The events of September 11, 2001, and subsequent terrorist activities, threats, and attempted attacks have significantly affected and continue to influence air travel. Concerns regarding flight safety and the inconveniences associated with intensified security screening measures may prompt individuals to avoid air travel altogether or opt for alternative surface transportation methods. However, historical data suggests that these impacts are typically temporary, with air travel demand eventually rebounding.

Enhanced security measures implemented at airports since the events of September 11, 2001, and any future measures may result in higher operating expenses. The Aviation and Transportation Security Act mandated improvements in airport perimeter access security, enhanced screening procedures for passengers, baggage, cargo, mail, employees, and vendors, as well as enhanced training and qualifications for security personnel and rigorous background checks. The County has, at times, incurred significant expenditures to comply with security-related mandates while endeavoring to mitigate their impact on the airport's customers, such as investments in automated security screening for international travelers. The County cannot predict the nature of future security requirements or their potential ramifications for customers and business operations.

Certain Federal and State Laws and Regulations

The operation of the Airport System is subject to various local, state, and federal regulations. The following is an overview 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 ("CEQA") and, if federal funding or other actions are involved, the National Environmental Policy Act ("NEPA"). The FAA serves as the lead agency for NEPA review of airport development projects.

Airport Noise and Capacity Act of 1990 ("ANCA"). Enacted in 1990, ANCA mandated the phase-out of Stage 2 aircraft by December 31, 1999, and limited the regulatory discretion of airport operators regarding new aircraft operational restrictions for noise. The FAA implemented ANCA regulations under Part 161 of the Federal Aviation Regulations (Part 161), requiring airport operators to conduct economic cost-benefit studies and environmental analyses before enacting restrictions on Stage 2 or Stage 3 aircraft operations. Approval from the FAA is necessary for implementing restrictions on Stage 3 aircraft operations. The Airport System is compliant with these regulations.

California Noise Standards. The Airport System operates pursuant to the California Noise Standards (CCR Title 21, Division 2.5., Subchapter 6), which define a Noise Impact Area based on a 65 decibel (dB) Community Noise Equivalent Level contour. Within this area, land uses must be compatible with the California Noise Standards, or obtain variances from the California Department of Transportation, Division of Aeronautics. None of the airports in the 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 mitigate aircraft noise effects on neighboring communities and establish airport approach zones. Measures include land acquisition, navigation easements, and use of planning and building code measures to enhance compatibility with airport operations. Additionally, a Wildlife Hazard Management Plan (WHMP) has been in place since 1992 to mitigate wildlife hazards on and near International Airport. The WHMP has been amended several times, most recently in March 2007.

Clean Water Act. The Department complies with the Federal Clean Water Act and Environmental Protection Agency regulations by obtaining a non-point source discharge permit. A Storm Water Pollution Prevention Plan, covering all the Airport System's facilities, was filed in 1992 with the California Water Quality Control Board, updating the Storm Water Pollution Prevention Plan annually to maintain compliance with regulatory requirements.

Safety Management Systems

The Department began developing a Safety Management System ("SMS") in the fall of 2017 using the FAA's SMS Supplemental Notice of Proposed Rulemaking as a guide. The SMS is a formalized method for managing safety with a focus on proactive risk mitigation. International Airport implemented its first SMS manual in March 2019, four years before the final FAA SMS Rule was published. Since 2017, the Department's SMS Section has overseen five SMS manual revisions, facilitated ten formal risk assessments, implemented a confidential hazard reporting portal in 2020 (receiving approximately 87 reports per year), and organized five SMS assurance audits.

Due to its proactive adoption of SMS, International Airport became the first airport in the U.S. to receive approval for its SMS Implementation Plan when the FAA SMS rulemaking became effective on April 24, 2023. Following this approval, International Airport was also the first airport in the U.S. to submit an SMS manual to the FAA for acceptance. The Department has since become a Subject Matter Expert, participating in numerous ACI-NA SMS Panels, and serving as an information resource for 28 U.S. commercial service airports seeking assistance in developing their Airport SMS programs.

Cybersecurity

The Department mandates and has implemented stringent protocols for the secure processing and storage of sensitive information pertaining to the Airport System's customers, employees, business partners, and other stakeholders. Like all entities with an online presence, the County, including the Department, face daily digital attacks. To keep pace with the constantly changing threat landscape, the Department of Technology has made substantial investments in cybersecurity measures.

Given the diverse array of secure data traffic, including personal credit card information, criminal justice data, Health Insurance Portability and Accountability Act ("HIPPA")-protected data, and welfare information, the County's network adheres to heightened security standards. Regular testing ensures compliance with these elevated cybersecurity requirements.

The costs associated with preparing and defending against security threats are significant. Any major security incident could expose the County to litigation, heightened regulatory scrutiny, and potential damages, fines, or sanctions.

In response to these ongoing threats, the County employs strategic initiatives to fortify its digital environment. The County Department of Technology aligns its cybersecurity risk mitigation with the National Institute of Science and Technology framework. This involves updating and upgrading software, developing comprehensive system recovery plans, proactively monitoring for network intrusions, and multi-factor authentication methods.

Despite these proactive measures, the constantly changing nature of cyber threats means that the County may not be able to prevent all data security breaches or instances of data misuse. Refer to "INVESTMENT CONSIDERATIONS – Cybersecurity" for further insights.

Airport Growth

International Airport is no longer focused on the pandemic-related traffic decline and subsequent recovery but has instead been experiencing sustained growth. Enplaned passengers for Fiscal Year 2022-23 totaled 6.4 million, a then-current high. Enplaned passenger traffic in Fiscal Year 2023-24 reached a new all-time high of 6.6 million, an increase of 2.4% over the prior year, and 4.7% over the pre-pandemic Fiscal Year 2018-2019 high.

Increased Air Service

International Airport began to see increases in flight schedules and seat growth starting in May 2022, continuing through the end of that year. However, beginning in 2023, airlines started to reduce capacity at most domestic airports due to a slowdown in aircraft deliveries and pilot shortages. Pilot shortages have been largely resolved now, but issues with aircraft deliveries, particularly with the Boeing 737-MAX aircraft, persist. These delivery delays have affected International Airport, resulting in less robust service increases than initially expected. Despite these challenges, International Airport has been less impacted compared to other domestic airports and continues to experience passenger growth.

Evidence of International Airport's resilience includes the addition of new service routes. Since 2023, airlines servicing International Airport have added or will add service to several new cities, including Austin, Baltimore, Dallas/Ft. Worth, Detroit, Eugene, Kansas City, Kona, Lihue, Miami, Nashville, and Ontario.

AIRPORT ACTIVITY AND SCHEDULED AIRLINES

As of May 1, 2024, International Airport is served by 15 scheduled passenger airlines, comprising five mainline carriers, three regional carriers, two low-cost carriers, two ultra low-cost carriers, and three foreign flag carriers. By August 2024, these airlines will have collectively offered over 173 daily flights to more than 44 nonstop destinations. Additionally, the airport benefits from the services of three scheduled all-cargo airlines. International Airport primarily serves origin-destination passengers, with 31% of its total traffic demand originating from within California, while the remaining 69% comprised passengers traveling to other parts of the U.S. and international destinations.

Table 2 outlines the air carriers serving International Airport and Mather Airport as of May 1, 2024, and Table 3 outlines daily flights offered by the air carriers.

TABLE 2
Airlines Serving International and Mather Airports[1]
(as of May 1, 2024)

Mainline

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

Regional
Envoy-American Airlines
Jazz-Air Canada
SkyWest-Alaska/American/Delta/United

Foreign Flag
Aeroméxico
Air Canada*
Volaris

Low-Cost Carriers

JetBlue Airways*
Southwest Airlines*

Ultra Low-Cost Carriers
Frontier Airlines*
Spirit Airlines*

All-Cargo Carriers
ATI**
FedEx*
UPS*

Source: County of Sacramento, Department of Airports
* Signatory Airline Status
** Operates for Amazon Prime
[1] Only UPS operates at Mather.

TABLE 3
Daily Flights
(as of May 1, 2024)

	Number of Flights	Schedule		Number of Flights	Schedule
California			**Other Domestic**		
Burbank	7	Daily	Atlanta	3	Daily
Long Beach	6	Daily	Austin	2	Daily
Los Angeles	15	Daily	Boise	3	Daily
Ontario	5	Daily	Boston*	1	Daily
Palm Springs	2	Daily	Baltimore*	1	Daily
San Diego	15	Daily	Charlotte	1	Daily
San Francisco	3	Daily	Chicago/Midway	2	Daily
Santa Ana	6	Daily	Chicago/O'Hare	4	Daily
Santa Barbara	1	Daily	Dallas/Love	1	Daily
			Dallas/Ft. Worth	5	Daily
International			Denver	11	Daily
Guadalajara	3	Daily	Detroit	1	Daily
Leon/Bajío	2	Weekly	Eugene	1	Daily
Los Cabos	1	Weekly	Honolulu	2	Daily
Vancouver	2	Daily	Houston/Bush	2	Daily
Toronto	1	Daily	Houston/Hobby	1	Daily
			Kansas City	1	Daily
			Kona	3	Weekly
			Las Vegas	15	Daily
			Lihue	4	Weekly
			Maui	1	Daily
			Miami	1	Daily
			Minneapolis/St Paul	2	Daily
			Nashville	1	Daily
			New York/Kennedy*	1	Daily
			Newark	1	Daily
			Phoenix	11	Daily
			Portland	7	Daily
			St. Louis	1	Daily
			Salt Lake City	5	Daily
			Seattle	13	Daily
			Spokane	2	Daily
			Washington/Dulles	1	Daily

Source: County of Sacramento, Department of Airports
* Flights are seasonal

Airline Service

The activity at International Airport is influenced by various factors, including passenger volume, economic conditions within the airline industry, available seating capacity of carriers, national and local economic conditions, and the overall cost of air travel.

Following the economic downturn that led to a reduction in enplaned passenger volumes from Fiscal Year 2009-10 through Fiscal Year 2013-14, International Airport experienced a rebound in Fiscal Year 2014-15, marked by a 5.8% increase in total enplaned passengers. This recovery was attributed to improved economic conditions and expanded air service by several airlines. Notably, additions included Aeroméxico introducing nonstop service to Mexico City, Delta Air Lines initiating service to Seattle-Tacoma, and JetBlue Airways commencing seasonal service to Boston.

In Fiscal Year 2015-16, total enplaned passengers rose by 6.1%, driven by Southwest Airlines launching nonstop service to Boise and American Airlines reinstating nonstop service to Chicago/O'Hare after a 12-year absence.

The positive trend continued into Fiscal Year 2016-17, with a 5.2% increase in total enplaned passengers. Southwest Airlines expanded its offerings with daily nonstop service to Baltimore and Salt Lake City, providing competition to a route previously exclusively served by Delta. Alaska Airlines introduced thrice-daily nonstop service to San Diego, providing competition to a former monopoly route for Southwest. Additionally, United Airlines launched daily nonstop service to Newark, Alaska Airlines initiated seasonal weekly nonstop service to Los Cabos, and Delta Air Lines added a third daily nonstop flight to Atlanta.

In Fiscal Year 2017-18, total enplaned passengers surged by 10.8%, accompanied by a 9.8% increase in nonstop seat capacity. Notable additions included Southwest Airlines' new nonstop weekly service to Los Cabos, New Orleans, and daily service to Austin, St. Louis, and Orlando. Along with Air Canada's daily nonstop service to Vancouver, following a 10-year absence from the market.

The positive momentum continued into Fiscal Year 2018-19, with a 9.3% increase in total enplaned passengers and a 9.5% rise in nonstop seat capacity. Significant developments included Frontier Airlines re-launching nonstop service to Denver and Las Vegas, Volaris launching twice-weekly nonstop service to Leon/Bajío, Alaska Airlines initiating thrice-weekly nonstop service to Kona, and Hawaiian Airlines adding a second daily nonstop flight with new service to Maui. Furthermore, Contour Airlines commenced nonstop service to Santa Barbara, Boutique Air launched essential air service to Merced, and Sun Country introduced ultra low-cost carrier seasonal service to Minneapolis-St. Paul. Delta Airlines also reinstated daily nonstop service to Detroit, while Spirit Airlines launched thrice-daily ultra low-cost carrier service to Las Vegas.

Prior to the COVID-19 pandemic, the first eight months of Fiscal Year 2019-20 reflected an 8.4% increase in nonstop seat capacity at International Airport compared to the prior Fiscal Year. Beginning in March 2020, passenger traffic declined significantly because of the pandemic and associated lockdowns. Beginning in May 2020, passenger traffic began a steady recovery, reaching and surpassing pre-pandemic levels by Fiscal Year 2022-23.

Table 4 presents historical enplaned passenger data for Fiscal Year 2014-15 through Fiscal Year 2023-24. After recovering from COVID-19 pandemic's impact on passenger numbers in Fiscal Year 2021-22, International Airport reached a new all-time high of 6.6 million enplaned passengers in Fiscal Year 2023-24.

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

Fiscal Year ending June 30	Domestic	International	Total	Percent Change From Prior Year
2015	4,546,641	83,204	4,629,845	5.8%
2016	4,846,744	96,441	4,943,185	6.8
2017	5,078,528	119,656	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	4,813,806	127,028	4,940,934	(21.6)
2021	3,093,443	116,727	3,210,170	(35.0)
2022	5,625,842	167,739	5,793,581	80.5
2023	6,258,484	184,770	6,443,254	11.2
2024	6,400,198	196,958	6,597,156	2.4

Source: County of Sacramento, Department of Airports

Airlines significantly reduced flights at International Airport in the last quarter of Fiscal Year 2019-20 due to the COVID-19 pandemic. However, beginning in Fiscal Year 2021-22, with the recovery of flight schedules, the introduction of new destinations, and the deployment of larger aircraft, seat capacity at International Airport accelerated its recovery. International Airport not only recovered post-pandemic but also saw continuous growth in seat capacity each fiscal year since Fiscal Year 2020-21, reaching record levels in Fiscal Years 2022-23 and 2023-24. Fiscal Year 2024-25 is projected in the Airport Consultant Report to be a record year for International Airport.

Recent additions in service includes Hawaiian Airlines adding nonstop service to Kona and Lihue in May 2024; Southwest adding nonstop service to Eugene and Nashville in June 2024; Spirit adding nonstop service to Baltimore in June 2024; and Delta adding nonstop service to Detroit in July 2024.

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

Fiscal Year	Domestic	International	Total	Percent Change From Prior Year
2015	5,695,941	104,526	5,800,467	2.4%
2016	5,936,601	116,084	6,052,685	4.3
2017	6,291,530	138,790	6,430,320	6.2
2018	6,954,531	144,582	7,099,113	10.4
2019	7,555,465	186,861	7,742,326	9.1
2020	6,910,792	173,412	7,084,204	-8.5
2021	4,856,117	167,970	5,024,087	-29.1
2022	7,120,074	211,702	7,331,776	45.9
2023	8,050,577	225,206	8,275,783	12.9
2024*	7,945,631	234,475	8,180,106	-1.2

* Based on airline schedules through the end of Fiscal Year 2023-24 as published in Airline Data Inc. as of June 2024.
Source: County of Sacramento, Department of Airports

The following table sets forth historical Aircraft Landed Weight at International Airport and Mather Airport for Fiscal Year 2014-15 through Fiscal Year 2023-24 classified into categories of passenger airlines and all-cargo airlines.

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

Fiscal Year	Passenger Airlines	All-Cargo Airlines	Total	Percent Change from Prior Year
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	6,080	1,287	7,367	(10.3)
2021	4,431	1,435	5,865	(20.4)
2022	6,569	1,253	7,822	33.4
2023	7,363	1,080	8,443	7.9
2024*	7,381	1,061	8,443	0.0

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

The following table shows airline market shares of enplaned passengers at International Airport for Fiscal Years 2020-21 through 2023-24.

TABLE 7
Airline Market Shares of Enplaned Passengers
International Airport
Fiscal Years 2020-21 through 2023-24

Major Airlines	Fiscal Year 2020-21 Percentage of total	Fiscal Year 2021-22 Percentage of total	Fiscal Year 2022-23 Percentage of total	Fiscal Year 2023-24 Percentage of total
Southwest Airlines	49.9%	51.5%	56.1%	55.3%
American Airlines	11.8	9.4	8.6	9.8
Delta Air Lines	11.6	10.5	9.7	10.0
United Airlines	9.8	10.4	9.0	9.5
Alaska Airlines [(1)]	6.8	7.6	6.3	5.5
JetBlue Airways	0.5	1.1	1.2	1.1
Hawaiian Airlines	1.9	2.4	2.3	2.3
Aeroméxico	1.2	0.9	0.7	0.5
Volaris	2.0	1.5	1.8	1.8
Air Canada		0.0	0.3	0.5
Frontier Airlines	2.3	1.9	0.9	0.5
Spirit	2.1	2.8	3.1	3.2
Other	0.1			0.0
TOTAL	100%	100%	100%	100%

[(1)] Includes Horizon Air.

Source: County of Sacramento, Department of Airports

Boeing Manufacturing Issues

On March 13, 2019, the FAA ordered the grounding of the Boeing 737 MAX aircraft following the crashes of two commercial jetliners. This grounding lasted 20 months. Since this time, there have been other issues with Boeing aircraft that have caused production slowdowns and delays in the delivery of aircrafts to the airlines. These delivery delays have necessitated service reductions at some airports. While International Airport has not been impacted by service reductions, and has in fact seen modest growth, such growth has been constrained by these ongoing aircraft supply issues. These issues are expected to be resolved by 2025.

AIRPORT COST CENTERS

The Department maintains a cost-center structure for the Airport System, comprising 15 direct, revenue-generating cost centers, and two 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, facilitating the accounting for revenues, operating expenses, and debt service. Rates and charges for Signatory Airlines are primarily determined by formulas utilizing the Airfield and Terminal cost centers for International Airport. These formulas aim to recover the costs associated with developing, operating, and maintaining the essential facilities within each respective cost center.

The cost centers described in this section are those that are taken into account for purposes of the Airline Agreement (defined below).

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 entered into the Scheduled Airline Operating Agreement and Terminal Building Lease (the "Airline Agreement"). This agreement initially had a five-year term with an automatic extension to June 30, 2027, which was exercised unanimously by the airlines (well above the 75% required to do so).

The Airline Agreement includes airlines representing 98.2% of enplaned passengers for the Fiscal Year 2022-23, such as Alaska Airlines, American Airlines, Delta Air Lines, Hawaiian Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, United Airlines, Air Canada, and Volaris. Additionally, all-cargo airlines, Federal Express and United Parcel Service have executed the Airline Agreement.

Under the Airline Agreement, Signatory Airlines pay rental fees and charges based on a hybrid rate-setting methodology for the Airline cost centers. This methodology ensures the recovery of costs associated with developing, operating, and maintaining essential facilities.

<u>Airfield Cost Center</u>. Landing fees are calculated based on a residual rate-setting methodology, and Signatory Airlines are responsible for all associated claims, obligations, and indebtedness.

<u>Terminal Cost Center</u>. Terminal rental rates are established through a compensatory rate-setting methodology. Under this method, Signatory Airline rates and charges are determined by the County based on the percentage of costs corresponding to the airlines' facility usage, without considering nonairline revenues.

Airport Cost Centers are funded in their entirety by nonairline revenue of the Airport System. Indirect cost centers are allocated between the airlines and the Airport System in proportion to the overall split of operating costs between the Direct Cost Centers.

Key provisions of the Airline Agreement include:

Rolling Debt Service Coverage. Also called "funded coverage," this provision offsets the current year's debt service coverage requirement for Airline cost centers with the prior year's coverage.

Majority In Interest ("MII"). Capital Expenditures relating to the Airline cost centers with a net project cost exceeding $10 million require MII review. The County must notify Signatory Airlines of proposed expenditures. If an MII opposes a project, the County must defer it for up to two years. MII is defined as follows: (1) at least 75% of Signatory Airlines, including Affiliates, who collectively accounted for at least 75% of the Signatory Airlines' total Maximum Gross Landing Weight, or (2) 75% of the Signatory Airlines', including Affiliates, enplaned passenger counts, during the immediately preceding Fiscal Year.

Non-Signatory Airlines. Airlines not signing the Airline Agreement are assigned space on a month-to-month basis, pay a premium on rentals and fees, and have no right to vote on capital projects.

Revenue Sharing. Signatory Airlines receive 40% of net remaining revenues, which is equal to total revenues less operating and maintenance expenditures and requirements, and debt service. The 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 based on enplaned passengers. For purposes of the calculation of net revenue and any resultant revenue share, parking revenue is considered the revenue of first use in all operating and debt service expenses not located in an airline cost center, and for the International Airport share of those expenses in a shared (Indirect) cost center; to the extent parking revenue has not been exhausted after all applicable expenses are paid, a credit to the landing fee is provided. As a result, there is no portion of a revenue share that is made up of parking revenue.

Extraordinary Coverage Protection. In exchange for the Revenue Sharing provision, the Airline Agreement provides the Signatory Airlines to make payments through rates for rentals, fees, and charges, ensuring sufficient net revenues each fiscal year to comply with the minimum rate covenant requirement in the Indenture. The County refunds these payments when uncommitted funds become available.

Year-end Settlement. At the end of each fiscal year, rates and charges are recalculated based on audited financial data, with any overpayment refunded or any shortage invoiced to Signatory Airlines.

Airline Cost per Enplaned Passenger

The cost to passenger airlines operating at International Airport, which includes landing fees, terminal rents, and other use charges, is divided by the number of enplaned passengers to compute the cost per enplaned passenger ("CPE"). 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 in Fiscal Year 2011-12. As shown in the table below, in recent years, deliberate cost reductions, an increase in the number of airline passengers, and revenue-sharing initiatives have contributed to a reduction in CPE.

Table 8
Historical Airline Cost per Enplaned Passenger
International Airport

Fiscal Year	Passenger Airline Cost	Enplaned Passengers	Cost per Enplaned Passenger
2014-15	$71,739,449	4,629,845	$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	6,298,447	10.69
2019-20	86,442,125	4,940,934	17.50
2020-21	73,442,924	3,210,170	22.88
2021-22	76,323,608	5,793,581	13.17
2022-23	82,686,352	6,443,254	12.83
2023-24*	97,103,957	6,597,156	14.72

* Estimated
Source: County of Sacramento, Department of Airports

OTHER BUSINESS AND OPERATING AGREEMENTS

The following are descriptions of significant contracts with Signatory Airlines and other airport tenants and concessionaires.

Rental Car Concessions

On-Airport Rental Cars. On October 1, 2014, the County entered into the On-airport Rental Car Concession and Lease Agreements with 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 agreements provide these rental car companies with the nonexclusive right to operate a vehicle rental concession at International Airport. The rental car companies operate from a consolidated rental car building, accessible by shuttle bus from the terminal buildings. As part of the agreements, the companies pay the County the greater of a minimum annual guarantee or a percentage of gross sales. These agreements are set to expire in 2029.

Terminal Concessions and Leases

Food and Beverage Concessions. The County holds Food and Beverage Concession Agreements with Host International, Inc., SSP America, Inc, Taste, Inc (dba Vino Volo), Famiglia-Debartolo, LLC, (dba Famous Famiglia) and CAVU Experiences (AMER), LLC (dba Escape Lounge) for the operation of food and beverage concessions within International Airport concourses and terminals. These agreements require concessionaires to pay the County the greater of a minimum annual guarantee or a percentage of gross sales from sit-down dining restaurants, quick-serve restaurants, and coffee shops.

In 2023, the County initiated a Request for Proposals ("RFP") process to revitalize the International Airport's food and beverage offerings. This resulted in the selection of six new food and beverage agreements, bringing new concessionaires who will introduce 18 diverse food and beverage outlets across both terminals. Development of these new concessions is scheduled to start in 2024, with completion expected in 2025. This update is particularly significant as 16 existing food and beverage units are either already closed or approaching the end of their contract terms in 2024, marking a significant enhancement to the airport's culinary landscape.

Retail Concessions. On March 29, 2018, the County issued a Retail, Kiosk and Specialty Coffee RFP for packaged concession locations in Terminals A and B at International Airport. The Board approved agreements with Marshall Retail Group in Terminal A and Paradies Lagardere @ SMF in Terminal B on September 11,2018. Retail Concessionaires pay the greater of a minimum annual guarantee or a percentage of gross sales from convenience stores, specialty retail and retail kiosks.

Transportation Network Companies ("TNCs"). The County entered contracts with Uber Technologies and Lyft, Inc., establishing a cost-recovery based per-trip fee for pickups and drop-offs at International Airport. Uber's agreement is effective through December 31, 2024, while Lyft's agreement extends through June 30, 2027. Under these contracts, a graduated fee system is implemented, starting at $2.50 for each pickup or drop-off involving vehicles that accommodate up to 5 passengers. This fee increases incrementally, reaching $7.25 per trip for vehicles designed to transport more than 24 passengers.

Fixed Base Operations

Fixed-base facilities at International Airport, Mather Airport and Executive Airport each are managed by a single fixed base operator ("FBO") owned by Modern Aviation. Three separate FBO agreements are in place, one for each airport. Modern Aviation operates out of existing facilities at Executive Airport and developed the current facilities at International Airport, which include a large aircraft hangar and adjoining offices. Additionally, Modern Aviation developed new FBO facilities at Mather Airport, consisting of two large aircraft hangars and four smaller corporate hangars.

SMFORWARD

Due to significant sustained passenger growth at International Airport, the Department plans to invest in significant capital improvements at multiple facilities at International Airport. These improvements, outlined in the Master Plan document approved by the Board on February 16, 2022, will result in increased parking capacity, a new Consolidated Rental Car Facility, new and widened roadways, a Ground Transportation Center, a Pedestrian Walkway connecting Terminal B to Concourse B, and additional concourse gates. The total cost of these capital upgrades, collectively referred to as "SMForward," is estimated to be approximately $1.3 billion.

The 2024 Project. The 2024 Project consists of the following elements of SMForward:

Pedestrian Walkway: Construction of an elevated Pedestrian Walkway between the existing Terminal B and Concourse B. This walkway will run approximately parallel to the existing Automated People Mover Guideway and includes a vertical circulation hub component to facilitate the 30-foot elevation change required to move from one facility to another. This project will be delivered using the construction manager at-risk ("CMAR") delivery method in which the construction manager acts as a consultant during the project design phase, and as the general contractor during the construction phase. The contract for this project was awarded in Spring of 2024, with construction beginning in July 2024, and final delivery scheduled for December 2025. In January 2023, this project received unanimous Majority-In-Interest ("MII") approval from the airlines at International Airport pursuant to the requirements of the Airline Agreement. The currently estimated cost of the Pedestrian Walkway is $140.0 million.

Terminal B Parking Garage: Construction of a new parking garage on the west side of Terminal B to provide an additional 5,500 parking spaces. This project will be delivered using the design-build project delivery method, with the design-build contract awarded in the summer of 2024. Construction is scheduled to begin in October 2024 with the facility scheduled to open in October 2026. This project does not require MII approval. The currently estimated cost of the Terminal B Parking Garage is $390.0 million.

Terminal A Exit Roadway: Construction of a new exit roadway to allow for better traffic flow and to facilitate traffic pattern changes required for subsequent projects. This project will be delivered using the traditional design-bid-build delivery method. This project does not require MII approval. This project will require operational mitigations during the period of construction, which will include alterations to delivery procedures to Concourse B as well as periodic employee access interruptions to some buildings along the existing roadway. None of these operational impacts are expected to adversely affect passenger processing or capacity. The currently expected cost of the Terminal A Exit Roadway is $15.0 million.

Other elements of SMForward. Elements of SMForward in addition to the 2024 Project consist of the following:

Concourse B Expansion: Construction of additional gates and office space. This project will be delivered utilizing the CMAR project delivery method. This project received unanimous MII approval from the airlines at International Airport in January 2024.

Terminal A Expansion: Expansion of the ticketing area, addition of a baggage claim carousel, and office space. This project will be delivered utilizing the CMAR project delivery method. This project has not yet been presented for MII consideration.

Ground Transportation Center: Construction of a new transportation hub to allow for a more efficient ground transportation system. This project will be delivered utilizing the traditional design-bid-build delivery method. This project does not require MII approval.

Consolidated Rental Car Facility ("ConRAC"): Construction of a new rental car facility that is walkable to both terminals, providing a more streamlined, convenient, and up-to-date experience. The project delivery method for this project is yet to be defined. The Department intends to finance the ConRAC project in its entirety with Customer Facility Charge revenues, without recourse to Net Revenues. This project does not require MII approval.

The Sacramento County Community Workforce and Training Agreement: On September 12, 2023, the Board authorized the Director of Airports to develop a community workforce and training agreement ("CWTA") for six of the seven (excluding the Pedestrian Walkway) SMForward projects described above. Authorized under California Public Contract Code section 2500 et seq., a CWTA is a type of pre-hire, multi-craft collective bargaining agreement between project owners, prime contractors, and construction unions that not only establishes conditions of employment for identified construction projects but also includes community-oriented commitments regarding local hire, workforce development, and apprenticeship training and support. The County executed its first ever CWTA with the Sacramento-Sierra's Building and Construction Trades Council and local unions on March 27, 2024 following six months of negotiations. The CWTA binds all contractors and subcontractors that will perform work for the Terminal B Parking Garage, Terminal A Exit Roadway, Concourse B Expansion, Terminal A Expansion, Ground Transportation Center, and ConRAC projects. Among other things, the CWTA standardizes work hours, shifts, and holidays among all classes of workers; contains guarantees against work stoppages, strikes, lockouts and similar disruptions; and establishes local hire and apprenticeship hire goals. It will remain in effect until all work covered by the CWTA on the above SMForward projects is completed.

Sources of Funding for SMForward. See "CAPITAL PROJECTS AND PLANNING - Anticipated Additional Senior Obligations, Subordinate Obligations and CFC Secured Obligations" for a description of the anticipated additional Senior Obligations, Subordinate Obligations and CFC Secured Obligations identified in the Airport Consultant Report. See APPENDIX A – "AIRPORT CONSULTANT REPORT" for a description of the overall sources of funding for the costs of SMForward and the rest of the CIP.

CAPITAL PROJECTS AND PLANNING

General

The County consistently undertakes renovations, improvements, and expansions of its facilities to enhance the passenger experience and address the evolving needs of the aviation industry. The CIP includes the elements of SMForward projected to occur through Fiscal Year 2028-29. The total estimated CIP cost through Fiscal Year 2028-29 (including costs of SMForward) is approximately $1.7 billion.

The CIP is structured as a multi-year endeavor, with multiple phases and schedules for each development, carefully coordinated with the airlines and other stakeholders to maintain operational efficiency during construction. Funding for the CIP (other than SMForward projects) is anticipated to include federal grants, surplus revenue, PFCs and CFCs. The key components and funding sources of the CIP are outlined in the Airport Consultant Report.

Significant elements of the CIP (other than SMForward) are described below.

Airfield Maintenance Facility Construction: This is a multi-year project beginning with preliminary analysis and conceptual design to construct a new Airfield Maintenance facility in the north airfield area of International Airport. Airfield equipment and staffing needs have grown requiring an updated facility to house the Airfield Maintenance section.

Elkhorn Boulevard Extension: International Airport is experiencing major growth in the air cargo market which is further enabled by the proximity to logistics centers and warehouses immediately off Airport property. As a result, there has been an increase in freight vehicle traffic on airport roadways. This multi-year project facilitates intermodal freight transfer, reduces I-5 congestion, and supports future economic development in the project area.

Rehabilitate South Portion of Taxiway A and Connecting Taxiways to Runway 17R/35L: This project constructs temporary repairs followed by a larger effort to strengthen and overlay the southern portion of Taxiway A and the connecting taxiways to Runway 17R. This project will strengthen and improve the taxiway and reduce future maintenance costs. This project will be partially funded with AIP funds.

Executive Airport New Connector Taxiway at Runway 20 Threshold: This project will remove the inline at the Runway 20 threshold and build a new perpendicular connecting taxiway to comply with FAA requirements regarding airfield geometry. This project will be partially funded with AIP funds.

Rehabilitate Asphalt/Concrete Section for Runway 4R/22L: Mather Airport continues to be transformed from a former military base to a modern general aviation airport. This multi-year project includes design and construction phases to rehabilitate the asphalt and concrete sections of Runway 4R/22L to comply with FAA Advisory Circular 150/5300-13A Airport Design. This project will be partially funded with AIP funds.

Funding Sources for Airport System Capital Projects

Funding sources for the CIP includes the proceeds of Senior and Subordinate Obligations (including the Series 2024 Senior Bonds and potential TIFIA Loans), PFCs, CFCs and grants. Certain sources of funding are described below.

Transportation Infrastructure Finance and Innovation Act ("TIFIA") Loans. The Transportation Infrastructure Finance and Innovation Act ("TIFIA") program provides credit assistance for qualified projects of regional and national significance. Many large-scale, surface transportation projects - highway, transit, railroad, intermodal freight, and port access - are eligible for assistance. Eligible applicants include state and local governments, transit agencies, railroad companies, special authorities, special districts, and private entities. As a part of the Infrastructure Investment and Jobs Act, signed into law by President Biden in November 2021 (also known as the "Bipartisan Infrastructure Bill") ("BIL"), TIFIA eligibility was expanded to airport projects under the same eligibility requirements as those of the Passenger Facility Charge. TIFIA loans are low-interest, and can be used to finance up to 33% (or in some cases, 49%) of eligible project costs. The interest rate on TIFIA loans is set based on the 30-year Treasury rate at the time of the closing of each loan.

The Projected Operating Results in the Airport Consultant Report assume that the County will enter into a TIFIA Loan (constituting a Senior Obligation) to finance the costs of a portion of the 2024 Project. As described in the Airport Consultant Report, in the event that the TIFIA Loan is not consummated for any reason, such costs are expected to be financed with the proceeds of future Subordinate Obligations. The Projected Operating Results also assume that the County will enter into an additional TIFIA Loan (constituting a Subordinate Obligation) to finance a portion of the costs of other elements of SMForward.

Grants Under the Bipartisan Infrastructure Law. Among other funding, BIL provides $25 billion for airport infrastructure, with the funding administered by the FAA. The funding falls into three primary categories: $15 billion for airport infrastructure projects that increase safety and expand capacity; $5 billion for airport terminal projects to replace aging terminals; and $5 billion for airport traffic facilities. Following is a description of certain elements of BIL.

> Airport Infrastructure Grants ("AIG"): BIL provides $15 billion in airport infrastructure funding (or nearly $3 billion annually from 2022-26). The money can be invested in runways, taxiways, safety and sustainability projects, as well as terminal, airport-transit connections and roadway projects. AIG grants are allocated by formula to every eligible airport each year.

> Airport Terminal Program ("ATP") Grants: Through BIL, a total of $5 billion has been allocated ($1 billion annually from 2022-26) to provide competitive grants for airport terminal development projects that address the aging infrastructure of the nation's airports. These grants will fund safe, sustainable and accessible airport terminals, on-airport rail access projects and airport-owned airport traffic control towers. Projects may also include multimodal development.

> Air Traffic Facilities Funding: BIL provides a total of $5 billion in funding ($1 billion per year over five years) to upgrade the foundation of the FAA's air traffic control. Sacramento International has been awarded a new Air Traffic Control Tower under this program, which will replace the original 1967 tower with a newer facility, in a more advantageous location in the north airfield.

See the Airport Consultant Report for a description of the specific amounts projected to be available to the Airport System for the CIP (including SMForward) under BIL.

Anticipated Additional Senior Obligations and Subordinate Obligations

The following table shows the amount and timing of additional Senior Obligations and Subordinate Obligations (as shown in Table 6-4 in the Airport Consultant Report) which the County currently anticipates to issue and that were assumed to be issued in the preparation of the Projected Operating Results. (The table does not include obligations expected to be issued to pay the costs of the Consolidated Rental Car Center and secured by CFCs.)

Projected Future Debt Issuances

Senior Obligations	Issuance Year	Par Amount (millions)
Series 2025 Bonds	2025	$283.1
TIFIA Loan	2024	38.8
Subordinate Obligations		
Subordinate Bonds or TIFIA Loan	2025	65.9

There can be no assurances that additional issuances of Senior Obligations or Subordinate Obligations will not be required to pay costs of SMForward or other elements of the CIP. See "INVESTMENT CONSIDERATIONS – Uncertainties of Projections and Assumptions" and "- Risks Related to Implementation of SMForward and the CIP."

FINANCIAL AND RELATED INFORMATION

General

The Airport System's operating revenues primarily stem from airline terminal rentals and landing fees, concession revenues, and parking revenues. Each fiscal year, the Department establishes terminal rental rates and landing fees based on the Airport System's estimated revenues and expenses outlined in the Airline Agreement. According to this agreement, if there is an over-collection (where airline receipts surpass the Airport System's net cost), the Department must refund the excess to the airlines. Similarly, if there is an under-collection, the airlines are invoiced for the deficit and are obligated to pay it. Settlement of over- or under-collection typically occurs before December 31.

Revenues, Expenses and Changes in Net Position

The table below shows Revenues, Expenses and Changes in Net Position for Fiscal Year 2019-20 through Fiscal Year 2023-24. Fiscal Year 2023-24 amounts are estimated and subject to adjustment. The financial information presented includes airline revenues set by rates established by the Airline Agreement.

TABLE 10
Sacramento County Airport System
Statement of Revenues, Expenses and Changes in Net Position
Fiscal Years 2019-20 through 2023-24

	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Estimated Fiscal Year 2023-24
Operating revenue:					
Concessions	$80,277,417	$56,012,009	$93,641,280	$106,392,621	$108,109,309
Building rents	69,725,164	57,906,467	64,390,549	71,732,556	79,825,987
Airfield charges	25,519,182	31,005,490	31,170,310	31,555,006	39,260,032
Ground leases	3,951,171	4,209,371	10,692,383	9,834,059	9,974,543
Sale of fuel	418,914	544,327	464,859	922,763	1,094,736
Airport services	617,198	403,387	919,883	427,692	680,886
Other	3,414	24,029	14,553	3,633	6,409
Total operating revenue	$180,512,460	$150,105,080	$201,293,817	$220,868,330	238,951,902
Operating expense:					
Salaries and benefits	$40,599,630	$44,608,558	$35,393,935	$39,869,392	$47,439,430
Services and supplies (1)	77,594,078	71,175,541	85,264,445	102,617,535	113,637,280
Cost of goods sold	558,780	493,926	861,995	860,635	1,019,957
Depreciation and amortization	52,842,238	54,892,487	55,649,935	57,091,392	57,664,824
Other	10,984,101	310,098	484,516	433,684	211,356
Total operating expense	$182,578,827	$171,480,610	$177,654,826	$200,872,638	$219,972,847
Net Operating income (loss)	($2,066,367)	($21,375,530)	$23,638,991	$19,995,692	$18,979,055
Nonoperating revenue (expense):					
Interest Income	5,981,289	936,698	(2,474,652)	13,297,492	19,377,899
Passenger facility charges revenue	19,191,446	13,680,710	22,865,394	25,950,108	27,757,169
Customer facility charges revenue	5,840,576	3,233,524	5,066,535	9,014,790	16,403,279
Intergovernmental revenue (2)	35,484,822	16,327,555	50,451,763	9,955,581	5,894,031
Gain (loss) on disposal of assets	(893,634)	67,175	105,558	(1,450,990)	107,066
Other nonoperating revenue (expense)	1,843,812	4,710,955	2,857,024	280,400	484,620
Amortization of bond issuance cost	(25,902)	(24,220)	(24,337)	(21,100)	(22,100)
Interest expense	(38,910,448)	(34,480,405)	(33,427,662)	(32,137,012)	(31,902,021)
Net nonoperating revenue (expense)	$28,511,961	$4,451,992	$45,419,623	$24,889,269	$38,099,943
Income (loss) before capital contributions and transfers	$26,445,594	($16,923,538)	$69,058,614	$44,884,961	$56,629,708
Capital contributions	$20,520,520	$5,668,571	$7,552,491	$16,343,566	$12,077,993
Transfers Out	(2,546,362)	(2,814,183)	(2,902,410)	(2,952,604)	(2,928,828)
CHANGES IN NET POSITION	$44,419,752	($14,069,150)	$73,708,695	$58,275,923	$66,228,163

(1) Services and supplies increased in fiscal year 2023-24 due to $3.35 million increase in building maintenance services.
(2) Includes the following amounts from federal COVID-related funding: Fiscal Year 2019-20 - $34.5 million; Fiscal Year 2020-21 - $27.7 million; Fiscal Year 2021-22 - $37.6 million; Fiscal Year 2022-23 - $6.8 million; and Fiscal Year 2023-24 - $5.5 million.
Source: County of Sacramento, Department of Airports.

Operating Revenues

As shown in Table 10, for financial reporting purposes, the County classifies revenue from concessions, building rents, airfield charges, ground leases, fuel sales, airport services and other sources as Operating Revenues. Table 11 below presents Operating Revenues categorized by type of revenue per the Airline Agreement and distinguishes between Airline and Nonairline revenues. In Fiscal Year 2023-24, Airline Revenues are estimated to have constituted approximately 42.7% of total operating revenues, while Nonairline Revenues, including parking, rental car, terminal concessions revenues, and other nonairline revenues, are estimated to have constituted approximately 57.3% of operating revenues. These figures have been adjusted to include the Signatory Airline Settlement and revenue sharing in the current fiscal year. The Fiscal Year 2023-24 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 2019-20 through 2023-24

	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Estimated Fiscal Year 2023-24
Airline revenue:					
Terminal building rents and fees	$60,813,934	$46,698,567	$52,804,244	$58,695,698	$63,805,854
Aircraft parking fees	2,767,919	3,476,740	4,558,768	5,051,747	5,475,727
Loading bridge fees	1,595,724	1,394,900	2,105,216	2,182,908	4,568,096
Landing Fees	27,388,248	30,911,283	31,069,803	31,440,323	39,137,964
Total airline revenue	$92,565,825	$82,481,490	$90,538,031	$97,370,676	$112,987,641
Nonairline revenue:					
Parking	$51,510,237	$32,638,657	$65,445,614	$73,446,876	$77,553,149
Rental car (1)	16,918,266	14,926,812	19,465,719	20,411,502	20,996,077
Terminal concessions	8,732,817	7,133,429	6,121,937	8,933,265	5,123,019
Building and ground rents	11,458,841	11,365,656	16,987,662	17,174,622	17,731,511
Ground Transportation	2,797,975	1,072,975	2,191,504	3,024,296	3,798,904
Other (2)(3)	40,329,588	20,823,279	51,664,894	23,201,940	26,488,964
Total nonairline revenue	$131,747,724	$87,960,808	$161,877,330	$146,192,501	$151,691,624
TOTAL	$224,313,549	$170,442,298	$252,415,361	$243,563,177	$254,137,775
Airline revenues	41.3%	48.4%	35.9%	40.0%	42.7%
Nonairline revenues	58.7%	51.6%	64.1%	60.0%	57.3%

(1) Includes auto rental shuttle bus fees.
(2) Includes the following amounts from federal COVID-related funding: Fiscal Year 2019-20 - $34.5 million; Fiscal Year 2020-21 - $27.7 million; Fiscal Year 2021-22 - $37.6 million; Fiscal Year 2022-23 - $6.8 million; and Fiscal Year 2023-24 - $5.5 million.
(3) Includes $19.3 million from interest income in Fiscal Year 2023-24.

Airline Revenues

Airline revenues are calculated using an airfield residual and terminal compensatory ratemaking methodology. This approach ensures that airlines are billed based on the specific portions of the Airport System's expenses they utilize, including airfield, apron, loading bridges, and terminal building space. Forecasts of airline revenues are formulated in accordance with existing agreements, incorporating considerations such as inflation, historical trends, and forecasts of airline activity.

Terminal building rents and fees. These fees are established using a cost recovery methodology, covering both operating expenses and capital investments in the terminal area. This compensatory rate structure enables the Airport System to allocate terminal costs to the airlines based on the proportionate share of usable space they utilize.

Landing Fees. The expense associated with the airfield area, including runways, taxiways, navigational aids, and other airside infrastructure, are recuperated through the landing fees and fuel flowage fees collected at International Airport. Landing fees are charged to passenger and cargo carriers for each commercial or chartered aircraft landing. In Fiscal Year 2022-23, the landing fee rate was $3.71 per 1,000 pounds, reflecting a reduction due to decreased airfield costs, despite a 15% increase in airline landed weights. In Fiscal Year 2023-24, the landing fee rate increased to $4.33 per 1,000 pounds (a 15.45% increase), attributed to increased airfield costs.

Nonairline Revenues

Major sources of nonairline revenues include terminal building concessions, public automobile parking, rental car fees, and other related revenues. Forecasts for nonairline revenues are expected to grow in accordance with existing agreements, inflation adjustments, passenger volume growth, and historical patterns.

Terminal Building Concession Revenues. These revenues originate from sources within the terminal, including food and beverage concessions, merchandise sales, and other terminal amenities. Fiscal Year 2022-23 saw a $7.1 million increase in terminal building concession revenues, marking an 116.7% rise compared to the previous year.

Food and Beverage Concessions. Four food and beverage concessionaires operate within the terminal facilities, offering a variety of dining options including restaurants, quick-serve locations, cocktail bars, and travelers' lounges. These concessionaires provide a mix of national, regional, and local brands at multiple locations across both terminals. Agreements with these concessionaires stipulate payments to the County based on percentages of gross sales or a minimum annual guarantee, whichever is greater. In Fiscal Year 2022-23, gross sales from food and beverage outlets amounted to $51.4 million, up from $39.9 million the previous year. This growth resulted in a $3.4 million or 87.8% increase in concession revenues for the Airport System.

Merchandise Revenues. The County has engaged five concessionaires to oversee the operation of retail concessions within the terminal buildings. These retail offerings at International Airport include a diverse array of merchandise outlets and nationally recognized brand-name concessionaires, aimed at enhancing passenger options and spending opportunities. Agreements with these retail concessionaires entail payment to the County based on percentages of gross sales or a minimum annual guarantee, whichever is greater. In Fiscal Year 2022-23, gross sales from retail shops totaled approximately $26.1 million, contributing $3.9 million in concession revenues to the Airport System. This represents a slight increase from the previous fiscal year, where gross sales amounted to $23.43 million, resulting in concession revenues of $1.8 million.

Other Terminal Concession Revenues. Other terminal building concessions revenues totaling approximately $2.1 million during Fiscal Year 2022-23 include various sources as advertising, public telephone services, and vending machines.

Public Automobile Parking Revenues. Public automobile parking is the largest source of nonairline revenue for the Airport System, amounting to $73.4 million in Fiscal Year 2022-23. This figure equates to approximately 35.9% of total operating revenues or roughly 59.4% of nonairline revenues.

LAZ Parking California, LLC ("LAZ") operates the County-owned public parking facilities at International Airport under a parking management agreement executed in April 2016. This agreement is set to expire on March 31, 2026. Under this arrangement, LAZ oversees the maintenance, operation, and the collection of parking fees for the existing facilities. LAZ remits all gross parking revenues to the County and receives reimbursement for operating expenses along with a management fee. Setting parking rates falls under the responsibility of the County.

On January 1, 2023, the County approved a maximum 5% increase in parking rates at International Airport. This rate adjustment reflected the increase in enplaned passengers and balanced the supply and demand among available parking facilities. Additionally, the rate increase offsets added costs associated with the improved parking, SMForward capital projects and other services provided at International Airport.

Rental Car Revenues. Under the rental car agreements, the County receives revenues in two primary forms: (1) privilege fees equal to the greater of 10% of gross receipts or a minimum annual guarantee, and (2) rentals for counter space, office space, and service facility ground areas. Additionally, the County receives certain cost-recovery fees for the rental car shuttle operation. Rental car revenues totaled approximately $20.4 million in Fiscal Year 2022-23, marking a $946 thousand or 4.9% increase compared to the prior year. Unlike CFC revenues, revenues from these various fees are included in the definition of Revenues under the Indenture and are pledged to the payment of the Senior Obligations and Subordinate Obligations.

Building and Ground Rents. The County collects rents for additional on-airport structures and land leased for aeronautical and aeronautical support purposes, including cargo, general aviation, and aircraft maintenance facilities. These rents often adhere to fair market value calculations at lease inception, with subsequent annual adjustments tied to changes in the Consumer Price Index ("CPI").

Ground Transportation. The County collects commercial ground transportation fees from taxicabs, limousines, shuttles, and TNCs. In Fiscal Year 2022-23, these fees totaled to approximately $3.0 million, averaging $0.47 per enplaned passenger, and are anticipated to increase in line with inflation and enplaned passengers.

In recent years, transactions by TNCs such as Uber and Lyft have seen continuous growth at International Airport. In May 2017, the County countered a minor revenue loss from hourly parking customers by gradually increasing rates for TNCs. Effective July 1, 2017, TNCs began paying $2.00 per pick-up and drop-off, up from $1.25, and $2.50 effective July 1, 2018, for Type I vehicles with up to six passengers. Rates go up by vehicle size, capping at $7.25 per trip for vehicles larger than 24 passengers- TNC transactions are monitored using geo-fencing technology.

Other Nonairline Revenues. Other nonairline revenues primarily consist of building and ground rentals, encompassing hangars, cargo facilities, and other leases. These leases often include adjustments tied to changes in the CPI, periodical appraisals, or a combination of both approaches.

Passenger Facility Charges

PFCs are fees imposed on enplaned passengers by airport sponsors to generate revenues for airport projects aimed at increasing capacity, enhancing competition among air carriers, improving safety or security, or mitigating noise impacts. PFCs were established by Title 49 U.S.C. §40117, authoring airport sponsors to collect fees ranging from $1.00 to $3.00 per eligible enplaned originating and connecting passenger. The Aviation Investment and Reform Act (AIR-21) later increased the maximum allowable PFC 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. Those collecting a $4.50 PFC forego 75% of their AIP entitlement funds.

In January 1993, the County received FAA approval to impose a $3.00 PFC per eligible enplaned passenger at International Airport, which has been in effect since May 1, 1993. Since then, the County has submitted various applications and received approvals to use PFC revenues for Airport System improvements, including debt service on bonds issued for eligible improvements.

Subsequently, the County received approval to collect a $4.50 PFC, which began on February 1, 2002. PFC revenues have been used for direct funding of eligible projects and to pay debt service on Subordinate Bonds used to finance these projects. In 2024, the County began the process of preparing and submitting a PFC application for purposes of funding components of the Pedestrian Walkway, a component of the 2024 Project. The County expects approval of this application in the 4th quarter of calendar year 2024. Once approved, this application will cover a PFC cash contribution to the Pedestrian Walkway project, as well as principal and financing costs associated with a planned TIFIA loan (currently expected to constitute a Senior Obligation). If TIFIA is not used for the project, the County will amend the 2024 PFC application to allow use of PFC proceeds to pay Subordinate Obligations in a manner consistent with previous projects. The Projected Operating Results assume that the PFC level will remain at $4.50 through the projection period.

Currently, the County is authorized to impose a $4.50 PFC and use up to $811.6 million of PFC revenues for project and financing costs associated with various approved projects. The PFC collection period for approved applications is estimated to expire November 1, 2036. During Fiscal Year 2022-23, the County received $25.1 million in PFC receipts, bringing the total PFC receipts and interest received since January 1993 under the approved applications to $505.8 million. Since Fiscal Year 2013-14, PFC revenues have provided $199.7 million for debt service payments on prior bond issues, the Series 2016 Subordinate Bonds and the Series 2018 Subordinate Bonds.

Although PFC revenues are not pledged as Revenues pursuant to the Indenture, the County believes using these revenues to pay debt service on the Series 2016 Subordinate Bonds and Series 2018DEF Subordinate Bonds, which funded PFC-approved projects, complies with FAA regulations, and does not require further FAA approval. Recent bond refundings have lowered the PFCs required to pay annual debt service, resulting in accumulated PFC collections, including interest, of approximately $59.6 million as of June 30, 2024.

The amount of future PFC revenues will depend on the actual number of PFC-eligible passenger enplanements at International Airport. There is no assurance of achieving any specific level of enplanements. Additionally, the FAA may terminate the County's ability to impose PFC, subject to procedural safeguards, if (a) PFC revenues are not used for approved projects per FAA approval, or applicable laws and regulations; or (b) the County violates laws or regulations related to PFCs.

Customer Facility Charge

The authority for airport operators to levy CFCs on rental car customers is governed by California Government Code Section 50474 et seq. Revenues from CFC collections may only be used to cover (a) the reasonable costs associated with financing, designing, and constructing rental car facilities such as a ConRAC facility and a Quick Turnaround fuel and wash facility, and (b) the operational costs of any common-use transportation system, including the acquisition of vehicles for that system, provided they are not used for any other purpose.

California law permits airports to collect CFCs through one of two methods. The first method allows for a CFC not to exceed $10 per car rental contract. The second method, referred to as an "alternative CFC", allows for a collection on a "per-transaction-day" basis, with a maximum charge of $9.00 per day, up to a maximum of five days per rental contract. Effective May 1, 2019, the County implemented a CFC of $10 per rental car transaction at International Airport while initiating discussions with rental car companies regarding the potential development of a ConRAC and QTA. In October 2022, The Board approved the transition to an "alternative CFC," authorizing the collection of $8.00 per day for up to 5 days. This transition went into effect in March 2023. CFC revenues are excluded from the definition of Revenues under the Indenture, meaning they are not pledged to the Senior Obligations and Subordinate Obligations. The Department may use CFC revenues on a pay-as-you-go basis for capital costs of future rental car facilities, issue obligations secured by a pledge of CFC revenue (and not from Net Revenues), or it may use CFC revenues to pay debt service on Subordinate Bonds as it currently does with PFC revenues.

Rental car activity and revenues at International Airport have continued to grow despite the increased use of TNCs such as Uber, Lyft and Wingz. Although the growth rate of rental car activity and revenues may have been affected by the rise of TNCs, rental car activity and revenues have remained strong due to the large geographic size of International Airport's air service area. Furthermore, International Airport serves as a gateway to Northern California attractions such as Lake Tahoe, Sierra Mountain resorts, Yosemite National Park, and numerous wine country destinations, including Napa and Sonoma Valleys. The long distances many passengers travel to and from International Airport make renting a car more cost-effective than using TNCs for trips of 20 miles or further.

Federal Law Prohibiting Revenue Diversion

Federal law mandates that all revenues generated by a public airport must be allocated for the capital or operating costs of the airport and must be 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," which provide clarification on the application of these principles to airport sponsors that receive federal grants for airport development from the FAA, including International Airport and the other County airports. For these federal requirements, the County serves as the sponsor.

The Airport System compensates the County for direct services provided to the Airport System by other County departments. The FAA holds the authority to audit these payments and instructs the County to reimburse the Airport System for any improper payments. It may also impose penalties such as suspending or terminating pending FAA grants or existing PFC authorizations for violations of revenue diversion rules. In addition, the U.S. Department of Transportation ("U.S. DOT") can withhold non-aviation federal funds from the County as a penalty for such violations.

On November 7, 2014, the FAA amended its 1999 policies to clarify that state and local taxes on aviation fuel, regardless of whether they are part of a general sales tax or imposed by airport operators or other authorities, are subject to the federal restrictions on the use of airport revenue. However, taxes in effect on or before December 30, 1987, are exempt from these restrictions. The FAA's policy amendment, effective December 8, 2014, included a three-year transition period for state and local governments to comply. Furthermore, it mandates that the Department notify state and local taxing entities of these provisions and take reasonable actions to influence state and local laws to align with federal requirements. The Department has fulfilled these notification requirements and is collaborating with the County and other taxing entities, including the State of California, to ensure compliance.

Pension and OPEB Liability

Salaries and benefits costs encompass the funding of retirement benefits for employees of the Department who participate in the Sacramento County Employee Retirement System ("SCERS"). Due to various factors such as investment losses and enhanced retirement benefits, SCERS has incurred significant unfunded liabilities. Consequently, contribution rates for retirement costs, applicable to all County employees including those of the Department, have increased significantly in recent years and are anticipated to continue escalating.

As shown in the table below, while contribution rates have increased in recent years, the Airport System's SCERS transfers have increased since Fiscal Year 2018-19 due to increased staffing levels at the Airport System, as well as past losses and significant unfunded liabilities within SCERS.

In addition to required contributions for retirement benefits for employees of the Department, the County pays certain post-employment health care and other non-pension (OPEB) benefits for such employees. See APPENDIX B – "ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2023" – Note 14 and Note 15 to the Basic Financial Statements".

The County required payments to SCERS and OPEB, with respect to employees of the Department are presented in the table below.

TABLE 12
Department of Airports SCERS and OPEB Transfers
International Airport
Fiscal Years ending June 30

Fiscal Year	SCERS	OPEB
2018-19	$4,192,533	$162,080
2019-20	5,055,162	122,948
2020–21	5,735,830	155,157
2021-22	6,227,180	140,742
2022-23	6,994,308	150,121
2023-24 (Projected)	7,382,928	155,000

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. 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.

For further details, refer to APPENDIX B – "ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2023" – Note 4 to the Basic Financial Statements."

Certain Available Funds; Liquidity

The Airport System maintains various funds designated for covering operating and capital improvement expenses, debt service, and unforeseen contingencies. Over recent years, the Airport System's discretionary cash position has seen an upward trend, as noted in the table below. This increase primarily stems from a rise in net operating income, consequently bolstering the amount of cash available for future capital improvements.

As of June 30, 2023, unrestricted cash, and cash equivalents available for operating and capital expenses totaled approximately $269.9 million. These funds were held in the Airport Revenue Fund and the Capital Improvement Fund. Additionally, the Airport System held restricted cash and cash equivalents amounting to approximatively $108.2 million, allocated across various funds including the Operating Reserve Fund (targeted at 25% of the Annual Operating Budget), in the Reserve and Contingency Fund, and the PFC Revenue Fund, and the CFC Revenue Fund. These restricted amounts can be utilized for debt service payments if necessary.

Estimated balances of unrestricted cash and cash equivalents available for operating and capital expenses as of June 30, 2024, were approximately $296.8 million, including funds from the Airport Revenue Fund and the Capital Improvement Fund. Concurrently, the Airport System held restricted cash and cash equivalents estimated at approximatively $147.3 million, distributed among different funds such as the Operating Reserve Fund, the Reserve and Contingency Fund, the PFC Revenue Fund, and the CFC Revenue Fund.

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

TABLE 13
Airport System
Cash and Cash Equivalent Balances

	6/30/2021	6/30/2022	6/30/2023	6/30/2024 (Estimated)
Unrestricted				
Airport Revenue Fund	$73,512,030	$110,633,167	$117,665,724	$114,863,641
Capital Improvement Fund	124,981,964	124,042,947	152,268,450	181,943,225
Total unrestricted	$198,493,994	$234,676,114	$269,934,174	$296,806,866
Restricted				
Operating Reserve Fund	33,649,761	31,315,643	32,884,482	44,880,626
Reserve and Contingency Fund	2,000,000	2,000,000	2,000,000	2,000,000
PFC Fund (1)	33,437,090	40,321,368	48,755,410	59,641,670
CFC Fund (2)	9,160,110	14,025,953	22,339,724	38,424,061
Endowment Funds (3)	-	2,230,577	2,254,697	2,355,604
Total restricted	$78,246,961	$89,893,541	$108,234,313	$147,301,960
Total Cash and Cash Equivalents -Airport System Held	$276,740,955	$324,569,655	$378,168,487	$444,108,826

(1) Increases in the PFC Fund are mainly due to increased enplanements.

(2) Customer Facility Charges implemented in Fiscal Year 2018-19. Increase in Fiscal Year 2022-23 in CFC due to change in fee collection from $10 per transaction to $8 per transaction day for up to five days.

(3) Art Endowment and Biological Opinion.

Source: County of Sacramento, Department of Airports

The Revolving Credit Agreement also provides the Department with additional liquidity. See "INTRODUCTION – Existing Obligations – Subordinate Obligations."

Furthermore, the Airport System collects Passenger Facility Charges ("PFCs") and Customer Facility Charges ("CFCs"), earmarked for authorized uses only. Based on unaudited, internally prepared amounts, the Department projects ending Fiscal Year 2023-24 with approximately $59.6 million of PFC balances (after payment of the Subordinate Obligations) and $38.4 million of CFC balances.

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 2019-20 through Fiscal Year 2023-24.

TABLE 14
Historical and Estimated Revenues, Operating Expenses and Debt Service Coverage for Fiscal Year 2019-20 through 2023-24
(in thousands)

	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Estimated Fiscal Year 2023-24
Rate Covenant per Section 6.04 (b)(i)					
Revenues [(1)]	$209,664,618	$170,587,943	$252,523,996	$245,894,134	$264,679,264
Operating Expenses [(2),(3)]	(121,588,396)	(119,402,306)	(124,907,302)	(146,734,350)	(165,236,851)
Net Revenues	$88,076,222	$51,185,637	$127,616,694	$99,159,784	$99,442,413
Transfer (limited to 25%)[(4)]	$11,714,793	$6,895,236	$6,655,225	$6,436,413	$6,436,413
Net Revenues + Transfer	$99,791,015	$58,080,873	$134,271,919	$105,596,197	$105,878,825
Accrued Debt Service on Senior Obligations	$46,859,170	$27,580,945	$26,620,900	$25,745,650	$25,745,650
DEBT SERVICE COVERAGE (>1.25)[(5)]	2.13	2.11	5.04	4.10	4.11
Debt service coverage w/o Transfer	1.88	1.86	4.79	3.85	3.86
Rate Covenant per Section 6.04 (b)(ii)					
Net Revenues	$88,076,222	$51,185,637	$127,616,694	$99,159,784	$99,442,413
Transfer (limited to 10%)	4,685,917	2,758,095	2,662,090	2,574,565	2,574,565
Net Revenues + Transfer	$92,762,139	$53,943,732	$130,278,784	$101,734,349	$102,016,978
Accrued Debt Service of Senior Obligations	$46,859,170	$27,580,945	$26,620,900	$25,745,650	$25,745,650
Debt Service on Subordinate Obligations	16,703,950	16,709,750	16,709,750	16,710,000	16,705,500
LESS: Passenger Facility Charges	(16,703,950)	(16,709,750)	(16,709,750)	(16,710,000)	(16,705,500)
Accrued Debt Service on Senior and Subordinate Obligations	$46,859,170	$27,580,945	$26,620,900	$25,745,650	$25,745,650
DEBT SERVICE COVERAGE (>1.10)[(5)]	1.98	1.96	4.89	3.95	3.96

(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.
(3) Services and supplies increased in fiscal year 2022-23 due to $4 million increase in building maintenance services and $4 million increase from other professional services.
(4) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 SENIOR BONDS—Rate Covenant" for a description of the permitted use of Transfers.
(5) Debt service coverage in Fiscal Years 2020-21 through 2023-24 was impacted and enhanced by the County's decision to use proceeds from federal COVID-19 relief programs to defease all Senior Bonds maturing in such years. The impact of this defeasance ends in Fiscal Year 2024-25.

Source: County of Sacramento, Department of Airports

AIRPORT CONSULTANT REPORT

This section, the Airport Consultant Report in APPENDIX A, and elsewhere in this Official Statement contain "forward-looking statements." Ricondo has made certain assumptions in making its projections that it believes are reasonable. The County has reviewed Ricondo's assumptions that are described in the Airport Consultant Report and believes that they are reasonable. However, all forward-looking statements, including intentions, expectations and projections, are inherently subject to economic, political, regulatory, competitive and other uncertainties, all of which are difficult to predict and many of which will be beyond the control of the County and Ricondo. Projected results may not be realized, and actual results could be significantly different than projected. Neither the County nor Ricondo is obligated to update, or otherwise revise, the projections or the specific portions presented to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even if any or all of the assumptions are shown to be in error.

Additionally, the Airport Consultant Report and associated analysis was prepared with actual financial information through the end of the fiscal year ending June 30, 2024, which reflected actual transactions and accruals through July 12, 2024. Additional accruals and accounting adjustments have occurred subsequent to July 12, 2024. These subsequent accruals and accounting adjustments after July 12, 2024 were not reflected in the Airport Consultant Report but are reflected in the applicable financial information in the body of the Official Statement. The Airport Consultant has reviewed the accruals and adjustments and confirmed that the subsequent information would not materially impact the conclusions or projections presented in the Airport Consultant Report.

Overview

The Airport Consultant Report is included in this Official Statement as APPENDIX A. The Airport Consultant Report is part of this Official Statement, and potential purchasers of the Series 2024 Senior Bonds should read the Airport Consultant Report, in its entirety. The Airport Consultant Report has been included in this Official Statement in reliance on the authority of Ricondo and its subconsultants as experts in air traffic matters and financial projections relating to airports such as International Airport.

The Airport Consultant Report provides an overview of the economic base of the Air Service Area and of the primary economic and demographic variables (including population, personal income, gross regional and domestic product, employment, consumer prices and other economic conditions and events) nationally and in the Air Service Area that drive demand for passenger and cargo air transportation services and a projection of such variables for Fiscal Years 2024-25 through 2029-30 (the "Projection Period"). The Airport Consultant Report describes air service at International Airport currently, identifies the primary factors that affect demand for air travel, including factors (such as costs and availability of jet fuel, other industry consolidation costs and national and aviation security and capacity) that influence passenger and cargo airline profitability and decisions, and summarizes Ricondo's projection, and the assumptions behind the projection, of air traffic, including passenger enplanements, aircraft operations and landed weights, at International Airport for the Projection Period.

The Airport Consultant Report also includes Ricondo's review of existing Airport facilities and a review of the Airport System's capital improvement program, adopted budget for Fiscal Year 2024-25 and existing Airport System agreements and obligations. Ricondo's conclusion is that based upon Ricondo's approach and assumptions described in the Airport Consultant Report, the Net Revenues in each year during the Projection Period will be sufficient to satisfy the County's obligations under the Indenture.

Ricondo notes that although it believes that its approach and assumptions are reasonable and provide an appropriate basis for the financial projections set forth in the Airport Consultant Report, any projection is subject to uncertainties and some assumptions used as the basis of the projections will not be realized, unanticipated events and circumstances may occur, there are likely to be differences between the financial projection and actual financial results and those variations could be material. The Airport Consultant Report should be read in its entirety for an understanding of the projections and the underlying assumptions contained therein. Ricondo has no responsibility to update the Airport Consultant Report because of events and transactions occurring after the date of the Airport Consultant Report. The Airport Consultant Report will not be updated to reflect the final terms of the Series 2024 Senior Bonds or other changes occurring after the date of such report.

Projected Net Revenues and Debt Service Coverage

The following table is a summary presentation of Table A-8 of the Airport Consultant Report, which shows the projected Net Revenues and debt service coverage through Fiscal Year 2029-30 as shown on Table A-8 in APPENDIX A. The Airport Consultant Report (including Table A-8) should be read in its entirety for an understanding of the projections and the underlying assumptions contained therein (The table will not be updated to reflect actual debt service on the Series 2024 Senior Bonds.)

SUMMARY PRESENTATION OF PROJECTED NET REVENUES AND DEBT SERVICE COVERAGE

Fiscal Year Ended June 30	2025	2026	2027	2028	2029	2030
Airline Revenues	$108,826	$130,549	$137,969	$149,822	$157,497	$164,330
Non-Airline Revenues	133,814	159,330	171,884	178,751	183,937	189,197
Non-Operating Revenues	12,932	13,184	13,440	13,702	13,969	13,969
Total Revenues	$255,572	$303,062	$323,293	$342,275	$355,403	$367,497
Less: Operating Expenses	165,637	173,518	187,704	198,082	207,870	217,785
Net Revenues	**$89,935**	**$129,544**	**$135,589**	**$144,194**	**$147,533**	**$149,711**
Available PFC Revenues	26,724	27,489	28,256	29,024	29,796	30,571
Annual Debt Service						
Senior Lien Debt Service	$46,186	$48,539	$66,297	$91,904	$99,782	$99,787
Less: Applied PFC Revenues	-	(415)	(962)	(964)	(962)	(963)
Net Senior Lien Debt Service	$46,186	$48,124	$65,334	$90,940	$98,820	$98,824
Subordinate Lien Debt Service	$17,051	$17,052	$17,430	$17,435	$18,434	$19,430
Less: Applied PFC Revenues	(17,051)	(17,052)	(17,430)	(17,435)	(18,434)	(19,430)
Net Subordinate Lien Debt Service	-	-	-	-	-	-
Net Total Debt Service	**$46,186**	**$48,124**	**$65,334**	**$90,940**	**$98,820**	**$98,824**
Senior Debt Service Coverage(1)	1.95x	2.69x	2.08x	1.59x	1.49x	1.51x
Aggregate Debt Service Coverage(1)	1.95x	2.69x	2.08x	1.59x	1.49x	1.51x

1) Debt Service Coverage calculation does not include impact of any Transfers.
Totals may not match Table A-8 values due to rounding.

Source: Derived from Table A-8 in the Airport Consultant Report.

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 2024 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 2024 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 2024 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 2024 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 2024 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 2024 Senior Bonds. See "–Federal Law Affecting Airport Rates and Charges."

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 International Airport will depend in part on the economic conditions in the State and local service area.

Uncertainties of Projections and Assumptions

In its Airport Consultant Report, based on the assumptions contained in the report, Ricondo forecasts that the projected Revenues of the Airport System will be sufficient to allow the County to comply with the Rate Covenant in the Indenture through Fiscal Year 2029-30. See APPENDIX A - "AIRPORT CONSULTANT REPORT." One of the principal assumptions upon which Ricondo relies in making its projection is that passenger traffic will increase as a function of growth in the economy of the region served by International Airport. Whether the projected passenger traffic materializes depends on a number of factors outside of the County's control, such as economic growth of the United States and the greater Sacramento region, airline financial condition, general costs of air travel, capacity of the national air traffic control system, operational decisions made by airlines, public health concerns, and other similar assumptions. In addition, Ricondo makes numerous other assumptions as described in the Airport Consultant Report.

The Airport Consultant Report should be read in its entirety for an understanding of the projections and the underlying assumptions. As noted in the Airport Consultant Report, projections are subject to uncertainties. Inevitably, some of the assumptions used to develop the projections will not be realized, and unanticipated events and circumstances may occur. The actual financial results achieved will vary from those projections, and the variations may be material and adverse. Also see "AIRPORT CONSULTANT REPORT" and APPENDIX A - "AIRPORT CONSULTANT REPORT."

Risks Relating to Implementation of SMForward and the CIP

Any large construction project such as SMForward is subject to increased costs, delays and related risks, the occurrence of any of which could have a material adverse effect on County's ability to undertake the 2024 Project and the remainder of SMForward and the CIP. In a project of this magnitude, there is a significant possibility of cost increases, delays and other adverse effects resulting from, among other things, (i) design, engineering, or construction problems, and resulting change orders; (ii) subsurface conditions, concealed or unknown conditions or other site or safety and health conditions; (iii) environmental conditions or compliance with hazardous material laws; (iv) utility relocation problems; (v) labor or significant material price increases, shortages, interruptions, disputes or stoppages, including those resulting from global supply chain issues due to a pandemic or conflict; (vi) permitting and governmental approval issues, including the inability to obtain or renew necessary permits; (vii) extraordinary inclement or severe weather conditions; (viii) occurrence of a casualty, or damage or destruction of completed or partially completed work; (ix) discovery of artifacts, fossils, relics or other archeologically significant items that must be preserved and compliance with historic preservation laws and related agreements with historic preservation authorities; (x) discovery of endangered or threatened species protected under federal or state law; (xi) changes in laws; (xii) variable cost of contract allowances, and (xiii) other force majeure events. As a result, the County may encounter unanticipated difficulties and the construction and development of SMForward may be more costly or time-consuming than the County anticipates. While the County intends to use various techniques to minimize the risk of cost overruns and construction delays, contracts that are described as "fixed price," "lump sum," "guaranteed maximum price," or "flat fee" are not guaranteed to be free from cost increases resulting from the conditions described above or for other reasons.

The County may use change orders to address the conditions described above or other changes to the SMForward's scope, but the use of change orders does not guarantee prices remain fixed or delays do not occur.

Any schedule delays or cost increases could result in the need to issue additional Obligations, which may result in increased costs per enplaned passengers to the airlines. No assurance can be given that the County would receive the Signatory Airline approvals (to the extent necessary), or that, absent such approvals, an alternative source of funding would be available.

In addition, the County is relying on various sources of funding for SMForward, including federal grants and future issuances of revenue bonds. No assurance can be given that the Authority will be able to access such sources of funded when needed.

In order to complete construction of the 2024 Project and the remainder of SMForward, the County needs to take a significant number of steps and obtain a number of approvals and permits, none of which is assured of attainment. The County will need to obtain a number of required permits in connection with the construction and operation of SMForward, which can be a time-consuming process. The timing of the delivery of such permits may be outside of the County's control and may be subject to staffing levels of the issuing agency. If the County experiences delays in obtaining the required approvals and permits for the 2024 Project and the remainder of SMForward, construction completion may be delayed. In addition, federal, state and local governmental requirements could substantially increase the County's costs, which could materially harm the operations and financial condition of International Airport.

The construction activity occurring in connection with the 2024 Project and the remainder of SMForward may materially and adversely affect operations of the existing International Airport facilities, which could decrease passenger activity at International Airport and the use of ancillary services, such as parking and concessions, and thereby harm the financial condition of International Airport.

Risks Related to Funding of SMForward and the CIP

The County's current CIP includes SMForward and spending on capital projects in addition to the SMForward in the coming years. However, current CIP plans, and the funding sources therefor, may change depending on passenger and cargo demand, the availability of other funding sources, the timing of capital expenditures and market conditions. It is also possible that the County may undertake additional capital projects that are not presently included in the CIP, and the County may in the future undertake other major capital projects following the completion of the current capital improvement plan. Other capital needs that are not presently known may arise, and the costs of now known and future capital needs could increase significantly between the times that they are identified and when they are addressed. The incurrence of a significant amount of additional Obligations for capital projects will result in higher debt service costs, which will increase landing fees and terminal rents at International Airport, thereby increasing the costs borne by the airlines serving International Airport, which in turn could make International Airport comparatively less competitive.

Although the County intends to use a variety of strategies to mitigate risk associated with the implementation of its capital projects, project development could be delayed, and the cost of completing capital projects could be higher than expected due to various factors that are outside of the control of the County, including but not limited to economic conditions; pandemics; natural or manmade disasters; events such as the September 11, 2001 terrorist attacks; new or ongoing military hostilities; unexpected issues with integration into existing facilities; the inability to obtain, or delays in obtaining, regulatory approvals; the inability to comply with the conditions of regulatory approvals; changes in laws or regulations; inability to obtain, or delays in obtaining, federal approvals or federal funding; labor, bidding and contracting requirements; delays caused by the airline review process; weather; litigation; tariffs; cost overruns; casualty; strikes; unanticipated engineering, environmental or geological problems; shortages or increased costs of materials or labor; and financial difficulties of contractors. In addition, it is possible that funding sources such as federal grants may not be available as expected. If costs are higher than projected or funds are not available to finance the projects or portions thereof, the County may have to delay or cancel projects and/or incur additional debt.

Certain projects at International Airport, including SMForward, are assumed to be funded from a variety of different sources. Certain projects at International Airport, including SMForward are assumed in part with federal grants, but the County cannot guarantee that such funds will be available or will be received in a timely manner. In some cases, moneys from grant awards are remitted to the County on a reimbursement basis, after the County has paid the costs of a project and the County's use of such money would generally be subject to audit. These projects are also assumed to be funded in part from PFCs, but PFCs may not be available in the amounts and at the times currently forecasted if additional FAA approvals are not obtained or if there are fewer enplaned passengers than project. Additionally, market conditions, the status of operations at the County or other factors could adversely affect the ability of the Authority to issue Obligations in the future to finance a portion of the costs of SMForward or other capital projects at International Airport.

In the future, the County may be required to undertake additional capital projects to comply with regulatory requirements or to preserve the overall viability of International Airport. If, for any reason, the County is unable to undertake critical capital projects, then the condition of International Airport facilities may decline, which can affect customer experience, airline satisfaction, and operational efficiency and effectiveness.

Certain Factors Affecting the Airlines Industry and Travel

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 wars in Iraq and Afghanistan, the COVID-19 pandemic, 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 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.

Cost of Aviation Fuel. Airline earnings are significantly affected by the price of aviation fuel. Historically, aviation fuel prices have been particularly sensitive to worldwide political instability.

Fuel prices continue to be subject to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries policy, increased demand for fuel caused by growth of economies such as China and India, the levels of fuel inventory maintained by certain industries, reserve levels maintained by governments, currency fluctuations, disruptions to production and refining facilities and the weather. Significant increases in the cost of aviation fuel have had an adverse impact on airline industry profitability and are expected to have a continued impact on the airline industry. Such adverse impacts could, or have already caused, certain airlines to reduce capacity, fleet and personnel as well as increase airfares and implement various surcharges upon its passengers, all of which may negatively affect the demand for air travel and passenger activity at International Airport.

Labor Shortages. The airlines have been faced with labor shortages, including a shortage of pilots, flight attendants and other staff that have resulted in some cases have resulted in reduced flight schedules and cancelled flights. The aviation industry may experience a more enduring shortage, or may face additional shortages in the future. The aviation industry is also impacted by shortages of air traffic controllers.

Airline Mergers; Consolidation. The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible the airlines serving the Airport could consolidate operations through acquisition, merger, alliances and code share sales strategies. Historic mergers, as well as future mergers, could change airline service patterns at the Airport, including a possible reduction in service at the Airport. The County cannot predict what impact, if any, such consolidations will have on airline traffic at the 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 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.

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.

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 2024 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 2024 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 2024 Senior Bonds may be required to return to the airline as preferential transfers any money that was used to make payments on the Series 2024 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 2024 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 2024 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 2024 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 2024 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 2024 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 2024 Senior Bonds.

Should the County become the debtor in a bankruptcy case, the holders of the Series 2024 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 2024 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 2024 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 2024 Senior Bonds.

Concentration of a Single Airline

In Fiscal Year 2023-24, Southwest Airlines accounted for approximately 55% 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, San Francisco Bay Oakland International Airport and San Jose Mineta 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 U.S. DOT 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 2024 Senior Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 SENIOR BONDS." Such newly issued obligations may be junior to, or on a parity with the Series 2024 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 2024 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 2024 Senior Bonds, as long as certain conditions are satisfied. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 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 2024 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 2024 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 Airport System's authority to impose passenger facility charges may also be terminated if the Airport System violates certain AIP grant assurances and certain provisions of the 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 issued a revised map and designated the area within the Natomas Basin (including the critical operational areas of International Airport, such as runways, taxiways, terminals, and landside facilities) 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.

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 Improvement Project"). The Corps began construction of the Levee Improvement Project in 2017 and the Levee Improvement Project is currently estimated to be complete by 2030. Although no local or state delays have occurred and all federal funding has been secured, the Levee Improvement Project may not be completed in a timely manner. Even though the Natomas Basin has been designated as Zone A99, and progress on the Levee Improvement Project has been made, the Natomas Basin (which includes International Airport) will not be outside of a 100-year flood zone until certain levee improvements are completed.

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 or technology related events 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.

In addition, national and international air traffic and airline systems and operations (including reservation systems) are highly dependent on technology, and are highly interconnected. Technology related adverse events can result from a variety of factors, including malicious actors or technology provider updates. Such interruptions can spread quickly throughout national and international air traffic and airline systems and operations, impacting many airports and/or airlines. Such events can be material and adverse and result in material travel system impacts and/or financial losses.

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 International 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 2024 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 2024 Senior Bonds or in any way contesting or affecting the validity of the Series 2024 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 2024 Senior Bonds or the use of the Series 2024 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 2024 Senior Bonds have been assigned ratings of "A2" and "A+," 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 2024 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 2024 Senior Bonds.

TAX MATTERS

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 2024 Senior Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2024 Senior Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Series 2024 Senior Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. 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 2024 Senior Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX F—"PROPOSED FORM OF BOND COUNSEL OPINION" hereto.

To the extent the issue price of any maturity of the Series 2024 Senior Bonds is less than the amount to be paid at maturity of such Series 2024 Senior Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2024 Senior Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2024 Senior Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2024 Senior Bonds is the first price at which a substantial amount of such maturity of the Series 2024 Senior Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2024 Senior Bonds accrues daily over the term to maturity of such Series 2024 Senior Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2024 Senior Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2024 Senior Bonds. Beneficial Owners of the Series 2024 Senior Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2024 Senior Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2024 Senior Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2024 Senior Bonds is sold to the public.

Series 2024 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 Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2024 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 2024 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 2024 Senior Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2024 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 2024 Senior Bonds may adversely affect the value of, or the tax status of interest on, the Series 2024 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 2024 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 2024 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 2024 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 2024 Senior Bonds . Prospective purchasers of the Series 2024 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 expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2024 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.

Unless separately engaged, Bond Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the Series 2024 Senior Bonds in the event of an audit examination by the IRS. Under current procedures, 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 2024 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 2024 Senior Bonds, and may cause the County or the Beneficial Owners to incur significant expense.

Payments on the Series 2024 Senior Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Series 2024 Senior Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2024 Senior Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

LEGAL MATTERS

The validity of the Series 2024 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 LLP, 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. Fees of Disclosure Counsel and Underwriters' counsel are contingent in whole or in part of the issuance of the Series 2024 Senior Bonds.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of owners of the Series 2024 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 2023-24 (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"). In 2021, while the County timely filed notice of a ratings upgrade with respect to its outstanding pension obligation bonds, such notice was not initially properly linked with all relevant CUSIPs. In addition, in four different instances (one instance each for filings for the County Water Agency, the Public Financing Authority for Tax Allocation Bonds, and two different community facilities bond issuances) the County made continuing disclosure filings in a timely manner, but failed to include certain required information. The County has subsequently amended the each of the four filings to include the data.

The County recently engaged Digital Assurance Corporation to assist in future compliance with Prior Continuing Disclosure Undertakings.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC is employed as Municipal Advisor to the County in connection with the issuance of the Series 2024 Senior Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Series 2024 Senior Bonds is contingent upon the issuance and delivery of the Series 2024 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 2024 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.

UNDERWRITING

Wells Fargo Bank, National Association, as representative of the Underwriters set forth on the cover page hereof (the "Underwriters"), has agreed, subject to certain conditions, to purchase the Series 2024 Senior Bonds at a price of $528,542,165.37 (which is equal to the aggregate principal amount of the Series 2024 Senior Bonds of $467,270,000.00, plus original issue premium of $62,059,837.10, and less an underwriters' discount of $787,671.73). The purchase contract relating to the Series 2024 Senior Bonds provides that the Underwriters will purchase all the Series 2024 Senior Bonds if any are purchased. The Series 2024 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.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), an Underwriter of the Series 2024 Senior Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2024 Senior Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2024 Senior Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2024 Senior Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

BofA Securities, Inc., an Underwriter of the Series 2024 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 2024 Senior Bonds.

Piper Sandler & Co., one of the Underwriters of the Series 2024 Senior Bonds, has entered into a distribution agreement (the "Piper Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings, including the Series 2024 Senior Bonds, at the original issue prices. Pursuant to the Piper Distribution Agreement, CS&Co. will purchase Series 2024 Senior Bonds from Piper Sandler at the original issue price less a negotiated portion of the selling concession applicable to any Series 2024 Senior Bond that CS&Co. sells.

FINANCIAL STATEMENTS

The audited financial statements of the County set forth in Appendix B in the Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2023 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 Annual Comprehensive Financial Report of the County. The Annual Comprehensive 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 2024 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 Annual Comprehensive Financial Report of the County does not create any implication that any of such other funds are available for payment of the Series 2024 Senior Bonds.

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/ Amanda Thomas
Chief Fiscal Officer

By: /s/ Cindy Nichol
Director of Airports

APPENDIX A

AIRPORT CONSULTANT REPORT

[THIS PAGE INTENTIONALLY LEFT BLANK]

September 10, 2024 APPENDIX A

Report of the Airport Consultant

County of Sacramento

Airport System Senior Revenue Bonds, Series 2024 (Non-AMT)

Prepared for:

County of Sacramento

Prepared by:

RICONDO

THIS PAGE INTENTIONALLY LEFT BLANK

RICONDO®

September 10, 2024

Ms. Cindy Nichol
Director of Airports
County of Sacramento Department of Airports
6900 Airport Boulevard
Sacramento, CA 95837

RE: Report of the Airport Consultant
County of Sacramento
Airport System Senior Revenue Bonds, Series 2024 (Non-AMT)

Dear Ms. Nichol:

Ricondo & Associates, Inc. (Ricondo) is pleased to present this Report of the Airport Consultant (the Report) for inclusion as Appendix A in the Official Statement for the County of Sacramento Airport System Senior Revenue Bonds, Series 2024 (Non-AMT) (the Series 2024 Bonds). The Series 2024 Bonds will be issued pursuant to the Master Indenture of Trust dated as of May 1, 2008 (Master Indenture) and the Eleventh Supplemental Indenture of Trust dated as of October 1, 2024 (Eleventh Supplement, and together with the Master Indenture, the Indenture) by and between the County of Sacramento (County) and The Bank of New York Mellon Trust Company, N.A., as trustee. The Series 2024 Bonds are payable from Net Revenues generated from the operation of the Airport System, consisting of Sacramento International Airport (SMF or the Airport), Sacramento Executive Airport, Sacramento Mather Airport, and Franklin Field.

Proceeds of the Series 2024 Bonds, at the time of this Report, are anticipated to:

(i) finance a portion of the Series 2024 Projects, as defined herein,
(ii) fund the Debt Service Reserve Fund,
(iii) fund capitalized interest of the Series 2024 Bonds, and
(iv) pay costs and expenses incidental thereto and to the issuance of the Series 2024 Bonds.

Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement or the Indenture.

This Report presents the analysis undertaken by Ricondo to demonstrate the ability of the County to comply with the requirements of the Indenture, on a *pro forma* basis for Fiscal Year (FY) 2025 through FY 2030 (the Projection Period), based on the assumptions regarding the planned issuance of the Series 2024 Bonds, which are established by the County through consultation with its municipal advisor. In developing its analysis, Ricondo reviewed historical trends and formulated projections based on the assumptions put forth in this Report, which have been reviewed by the County and determined to be reasonable, regarding the ability of the Air Trade Area (defined herein) to generate demand for air service at the Airport, trends in air service and passenger activity at the Airport, and the financial performance of the Airport. This Report is organized as follows:

- Summary of Findings
- Chapter 1: The Series 2024 Bonds
- Chapter 2: County of Sacramento Airport System
- Chapter 3: Capital Improvement Program and Funding Sources
- Chapter 4: Demographic and Economic Analysis
- Chapter 5: Passenger Demand and Air Service Analysis
- Chapter 6: Financial Analysis

On the basis of the analysis put forth in this Report, Ricondo is of the opinion that the Revenues generated by the Airport System in each year of the Projection Period will be sufficient to comply with the Rate Covenant established in the Indenture. Ricondo is also of the opinion that the projected airline costs should remain reasonable throughout the Projection Period. Although summary information is provided, a complete understanding of the justification for our conclusion cannot be attained without reading the Report in its entirety.

Founded in 1989, Ricondo is a full-service aviation consulting firm providing airport physical and financial planning services to airport owners and operators, airlines, and federal and state agencies. Ricondo has prepared Reports of the Airport Consultant in support of over $46 billion of airport-related revenue bonds since 1996. Ricondo is not registered as a municipal advisor under Section 15B of the Securities Exchange Act of 1934. Ricondo is not acting as a municipal advisor and has not been engaged by the County to provide advice with respect to the structure, timing, terms, or other similar matters concerning the issuance of municipal securities. The assumptions regarding such matters included in this Report were provided by the County or the County's municipal advisors, or, with the County's approval, were derived from general, publicly available data approved by the County. Ricondo owes no fiduciary duty to the County. Ricondo recommends that the County discuss the information and analysis contained in this Report with internal and external advisors and experts that the County deems appropriate before taking any action. Any opinions, assumptions, views, or information contained herein are not intended to be, and do not constitute, "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934.

The techniques and methodologies used by Ricondo in preparing this Report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While Ricondo believes the approach and assumptions used in this Report are reasonable, some assumptions regarding future trends and events detailed in this Report, including the implementation schedule, the forecast of passenger activity, and the projection of financial performance, may not materialize. Therefore, actual performance will likely differ from the projections and forecasts set forth in this Report, and the variations may be material. In developing its analyses, Ricondo used information from various sources, including the County, the municipal advisor, federal and local governmental agencies, and independent private providers of economic and aviation industry data, as identified in the notes accompanying the related tables and exhibits in this Report. Ricondo believes these sources to be reliable but has not audited the data and does not warrant their accuracy. The analysis presented is based on conditions known as of the date of this letter. Ricondo has no obligation to update this Report on an ongoing basis.

Sincerely,

Ricondo & Associates, Inc.

RICONDO & ASSOCIATES, INC.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

LIST OF APPENDICES

LIST OF TABLES

LIST OF EXHIBITS

SUMMARY OF FINDINGS

The County of Sacramento (the County) commissioned Ricondo & Associates, Inc., (Ricondo) to prepare this Report of the Airport Consultant (Report) to demonstrate the County's compliance with the Master Indenture of Trust dated as of May 1, 2008 by and between the County and The Bank of New York Mellon Trust Company, N.A., as amended and supplemented, including as supplemented by an Eleventh Supplemental Indenture of Trust dated as of October 1, 2024 (collectively the Indenture), in relationship to the issuance of the County of Sacramento Airport System (Airport System) Senior Revenue Bonds, Series 2024 (Non-AMT) (the Series 2024 Bonds).

This Report demonstrates the County's ability to generate Net Revenues (Revenues less Operating Expenses) sufficient to meet its obligations under the Indenture, including the Rate Covenants, on a pro forma basis for Fiscal Year (FY) 2025 through FY 2030 (the Projection Period).[1]

In developing its analysis, Ricondo reviewed the terms of the Indenture and related documents that govern the County's debt relating to the Airport System; the assumed terms of the Series 2024 Bonds as provided by the County's municipal advisor; the County's outstanding financial obligations relating to the Airport System; the capacity of the Sacramento International Airport's (SMF's or the Airport's) existing and planned facilities to accommodate current and anticipated demand; certain projects included in the Airport's Capital Program, as well as the Scheduled Airline Operating Agreement and Terminal Building Lease (Airline Agreement) adopted on July 1, 2017, and proposed funding sources including the potential for additional borrowing beyond the Series 2024 Bonds.

To develop the pro forma analysis of the Airport System's financial performance, Ricondo reviewed key provisions of the agreements that establish the business arrangements between the County and its various tenants including, but not limited to, the commercial airlines serving the Airport. The Airport System generates most of its operating revenues from commercial airlines and private aircraft operators through airfield usage fees and various rentals for terminal and other spaces pursuant to its Airline Agreement; fees and rents assessed for concessionaires providing various goods and services to passengers and other users of airport facilities; fees and rents assessed rental car operators serving the Airport; and fees for public parking and commercial vehicle access to airport facilities. These revenues are, in large measure, driven by passenger demand for air service from the Airport, which is a function of national and local economic conditions, and the ability and willingness of the commercial airlines to supply service at a level commensurate with this demand. Thus, Ricondo reviewed the historical relationships between economic activity and demand for air service, the airlines' provision of air service, and the financial performance of the Airport System. Based on this historical review, Ricondo developed assumptions regarding these factors and relationships through the Projection Period which provide the basis for the forecasts of passenger activity and projections of financial performance presented in this Report. The following sections summarize Ricondo's assumptions, projections and findings that are detailed in the body of the Report, which should be read in its entirety.

SERIES 2024 BONDS

The County is issuing the Series 2024 Bonds to fund, in whole or in part, the Series 2024 Projects, which include the Pedestrian Walkway, a structure connecting Terminal B and Concourse B; Terminal B Parking Garage; and New Terminal A Exit Road projects (collectively, the Series 2024 Projects – described in Section 3.3 of this Report). Proceeds from the Series 2024 Bonds will also be used to fund a deposit to the Senior Debt Service Reserve Fund,

[1] Fiscal Year ending June 30.

fund capitalized interest on the Series 2024 Bonds, and pay certain costs of issuance incurred in connection with the issuance of the Series 2024 Bonds.

Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement of the Series 2024 Bonds and the Indenture.

Table S-1 reflects the Series 2024 Bonds funding plan for the Series 2024 Projects:

TABLE S-1 SERIES 2024 BONDS FUNDING PLAN

PROJECTS TO BE FUNDED	ESTIMATED SERIES 2024 PROJECT FUNDING AMOUNT
Pedestrian Walkway	$61,018,655
Terminal B Parking Garage	$390,000,000
New Terminal A Exit Road	$15,000,000
Total	**$466,018,655**

NOTE:
Amount reflects estimated project fund deposits.
SOURCE: Sacramento County Department of Airports, August 2024.

AIRPORT SYSTEM AND AIRPORT CAPITAL PROGRAM

The Airport System consists of the Sacramento International Airport (SMF or the Airport), Sacramento Executive Airport (SAC), Mather Airport (MHR), and Franklin Field (F72), which are operated by the Sacramento County Department of Airports (the Department). SMF is the largest airport in the Airport System and classified as a medium hub by the Federal Aviation Administration (FAA).

Chapter 2 reviews the existing SMF facilities and Chapter 3 summarizes the FY 2025 – FY 2029 Capital Program, anticipated Capital Program funding sources, and project details for the Series 2024 Projects.

The current master plan for the Airport was approved by the County in February 2022 (the 2020 Master Plan). The 2020 Master Plan established the needs for future capital development at the Airport and identified preferred alternatives for airfield, terminal, ground transportation, and other facilities. Continued implementation of the 2020 Master Plan has led to the *SMForward* program, which was announced in February 2023 as the largest construction program in the Airport's history, with goals to enhance customer convenience, comfort, and accessibility at the Airport, while meeting projected passenger traffic demand. The Series 2024 Projects are included in the SMForward program, which is part of the Airport's overall Capital Program.

SMForward comprises the following seven projects:

- Pedestrian Walkway connecting Terminal B to Concourse B (Series 2024 Project)
- Terminal B Parking Garage (Series 2024 Project)
- New Terminal A Exit Road (Series 2024 Project)
- Ground Transportation Center
- Concourse B Expansion
- Terminal A Expansion
- Consolidated Rental Car Center (Customer Facility Charge [CFC]-secured)

SMForward construction is expected to begin in the first half of FY 2025 and conclude in FY 2028. The Department has begun the process of initiating a new Master Plan Update for SMF that will assess the Airport's long-range needs beyond the projects identified in SMForward.

SMForward projects are anticipated to be funded by proceeds from the Series 2024 Bonds, future Senior Revenue Bond proceeds, Passenger Facility Charge (PFC) revenues, Customer Facility Charge (CFC) revenues, grant funds from the Infrastructure Investment and Jobs Act of 2021 (IIJA), and funding through a US Department of Transportation Build America Bureau Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan. In addition to SMForward projects, the Department's overall Capital Program includes other Capital Improvement Plan (CIP) projects to repair, maintain, and improve airfield, terminal, and ground transportation facilities for all four airports in the Airport System.

The Department's Capital Program anticipated through the Projection Period of this Report totals approximately $1.7 billion, comprising approximately $545.0 million of the Series 2024 Projects, $741.0 million of future SMForward projects, and approximately $405.0 million of future CIP projects., as summarized in **Table S-2**.

TABLE S-2 CAPITAL PROGRAM SUMMARY, FY 2025 – FY 2029

(in millions)

CAPITAL PROJECTS	2024 BONDS	FUTURE SENIOR OBLIGATIONS[1]	FUTURE SUBORDINATE OBLIGATIONS[2]	PFC REVENUES[3]	CFC REVENUES[4]	FEDERAL GRANTS[5]	DEPARTMENT FUNDS	TOTAL COST
Series 2024 Projects								
SMForward Projects	$466	$0	$0	$7	$0	$33	$0	$545
Total Series 2024 Projects	**$466**	**$0**	**$0**	**$7**	**$0**	**$33**	**$0**	**$545**
Future SMForward Projects	$0	$273	$66	$8	$391	$42	$0	$741
Other CIP Projects	$0	$0	$0	$0	$0	$78	$327	$405
Total SMForward	**$466**	**$273**	**$66**	**$15**	**$391**	**$75**	**$0**	**$1,286**
Total Capital Program	**$466**	**$273**	**$66**	**$15**	**$391**	**$153**	**$327**	**$1,691**

NOTES:
PFC – Passenger Facility Charge
CFC – Customer Facility Charge
Totals may not add due to rounding.
1 Future Senior Obligations include Series 2025 Revenue Bonds and an anticipated Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan.
2 Future Subordinate Obligations include Subordinate Revenue Bonds and/or one or more TIFIA Loans.
3 PFC revenues used on a pay-as-you-go basis.
4 CFC revenues may include a combination of pay-go and special facility CFC bonds.
5 Includes Federal Airport Improvement Program (AIP) grants and Infrastructure Investment and Jobs Act grants.
SOURCE: Sacramento County Department of Airports, August 2024.

Airport Capital Program funding assumptions reflected in the financial analysis in this Report are described in Section 3.4, and the resulting financial impacts are discussed in Chapter 6.

Table S-3 summarizes anticipated debt issuances associated with the funding of SMForward projects. Senior Obligations include the Series 2024 Bonds, Series 2025 Bonds, and a TIFIA Loan. Subordinate Obligations include Subordinate Revenue Bonds and/or one or more TIFIA Loans. In total, the SMForward projects are anticipated to be funded with approximately $805.3 million in proceeds from the Series 2024 Bonds and future debt issuances.

TABLE S-3 ASSUMED SMFORWARD DEBT FUNDING

ANTICIPATED DEBT ISSUANCES	ISSUANCE YEAR	PROJECT PROCEEDS	PAR AMOUNT
Senior Obligations			
Series 2024 Bonds	2024	$466.0 million	$502.4 million
Series 2025 Bonds	2025	$234.5 million	$283.1 million
TIFIA Loan[1]	2025	$38.8 million	$38.8 million
Subordinate Obligations[1]			
Revenue Bonds or TIFIA Loan(s)	2025	$65.9 million	$65.9 million
TOTAL		$805.3 million	$890.2 million

NOTES:
TIFIA – Transportation Infrastructure Finance and Innovation Act
1 The County intends to use PFC revenues to pay principal and interest on the TIFIA Loan(s) .
SOURCE: PFM Financial Advisors, LLC, August 2024.

DEMOGRAPHIC AND ECONOMIC ANALYSIS

The demand for air transportation at an airport is, to a large degree, dependent upon the demographic and economic characteristics of the geographical area surrounding the airport (an airport's "air trade area"). This relationship is particularly true for origin and destination (O&D) passenger traffic, meaning passengers that either begin or end their trips at an airport, rather than connecting through an airport to other destinations. O&D passenger traffic has historically accounted for approximately 95 percent of passenger traffic at SMF. [2] Therefore, the major portion of demand for air travel at the Airport is influenced more by the local socioeconomic characteristics of the area served than by individual air carrier decisions regarding service patterns in support of connecting activity.

Chapter 2 presents data indicating the Airport's Air Trade Area, defined in this Report to consist of seven counties (El Dorado, CA; Placer, CA; Sacramento, CA; San Joaquin, CA; Sutter, CA; Yolo, CA; Yuba, CA) which contain the four Airport System airports (SMF, SAC, F72, MHR). The Demographic and Economic Analysis Chapter (Chapter 4) indicates that the Air Trade Area has a diverse economy, growing population base, and attractive business climate which favorably impacts future airline traffic demand, supporting for the forecast of air travel during the Projection Period.

Table S-4 summarizes the demographic and economic data described in Chapter 4, while key findings include the following:

- The Airport primarily serves the seven-county Air Trade Area which had a total population of approximately 3.4 million residents in Calendar Year (CY) 2022.[3] Population growth in the Air Trade Area between CY 2002 and CY 2022 has been faster than the population growth experienced by the United States and the population growth experienced by California, and this trend is expected to continue throughout the Projection Period. Typically, a positive correlation exists between population growth in a local area and air travel demand.

2 While included in the Airport System, SAC and F72 have no commercial services and MHR has cargo but no commercial passenger service.

3 CY 2022 is the last year of historical data in the Woods & Poole Economics, Inc. (Woods & Poole) database and is the basis for Woods & Poole's projections.

TABLE S-4 SUMMARY OF DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS

				CAGR	
	HISTORICAL CY 2012	HISTORICAL CY 2022[1]	PROJECTED CY 2030	CY 2012-CY 2022[1]	CY 2022[1]-CY 2030
Population					
Air Trade Area	3,065,412	3,394,474	3,658,957	1.0%	0.9%
California	37,974,434	39,040,616	40,982,028	0.3%	0.6%
United States	314,371,456	333,271,411	350,794,062	0.6%	0.6%
Per Capita Personal Income					
Air Trade Area	$43,273	$54,313	$62,156	2.3%	1.7%
California	$50,552	$66,366	$75,894	2.8%	1.7%
United States	$46,791	$56,234	$64,732	1.9%	1.8%
GDP/GRP (millions)[2]					
Air Trade Area	$139,283	$190,274	$223,284	3.2%	2.0%
California	$2,235,277	$3,098,048	$3,754,635	3.3%	2.4%
United States	$17,074,008	$21,788,014	$25,999,436	2.5%	2.2%
	HISTORICAL CY 2012	HISTORICAL CY 2022	JULY 2024[3]		
Non-Seasonally Adjusted Unemployment Rates					
Air Trade Area	11.7%	4.3%	5.3%		
United States	8.1%	3.6%	4.3%		
Variance	*3.6%*	*0.7%*	*1.0%*		

NOTES:
CAGR – Compound Annual Growth Rate
CY – Calendar Year
GDP – Gross Domestic Product
GRP – Gross Regional Product
1 CY 2022 is the last year of historical data in the Woods & Poole Economics, Inc. (Woods & Poole) database and is the basis for Woods & Poole's future projections. Therefore, it is the last year of historical data displayed in this table. CY 2023 data may be available from other sources.
2 GDP/GRP displayed in millions of 2017 dollars.
3 Monthly unemployment data in this table is seasonally adjusted.
SOURCES: Woods & Poole Economics, Inc., 2024 Complete Economic and Demographic Data Source (CEDDS), July 2024 (population, Income, GDP/GRP); US Department of Labor, Bureau of Labor Statistics, September 2024 (unemployment).

- Per capita personal income in the Air Trade Area was $54,313 in CY 2022, which was lower than the per capita personal income (PCPI) of the nation and California ($56,421 and $66,366, respectively).[4] Between CY 2012 and CY 2022, PCPI in the Air Trade Area grew at a compound annual growth rate (CAGR) of 2.3 percent, which exceeded that of the nation but was lower than that of California (1.9 percent and 2.8 percent, respectively). The Air Trade Area, California, and the nation are each projected by Woods & Poole Economics, Inc. to grow their respective PCPI at a CAGR of approximately 1.9 percent between 2022 and 2030. In CY 2030, the Air Trade Area is projected to have a PCPI of $62,157, lower than that of the nation and the state— $64,732 and $75,895, respectively.

[4] PCPI figures are in 2017 dollars.

- Approximately 11 private or public entities with 5,000 or more employees are in the Air Trade Area. Sacramento serves as the state capital of California and as the county seat of Sacramento County. The Air Trade Area's largest employer in the area is the state of California, with over 128,000 employees. Other governmental employers and healthcare employers are predominant in the Air Trade Area. The Air Trade Area offers a robust business environment with a diverse economy spanning government services, healthcare, technology, and education. Despite higher tax rates and regulatory standards, Sacramento benefits from California's policies, fostering sustainable development and innovation.
- As discussed in Chapter 4, the Air Trade Area is projected to be mostly in line with the nation over the Projection Period on a variety of demographic and economic indicators shown to have a correlation with air travel demand.

PASSENGER DEMAND AND AIR SERVICE ANALYSIS

As presented in Chapter 5 of this Report, the Airport has had the benefit of a growing passenger base, served by airlines offering scheduled service to airports throughout the United States and several international destinations. A total of 15 airlines provided scheduled passenger service at the Airport during FY 2024. Of these airlines, 11 operate domestic-only service, 3 operate international-only service, and 1 airline serves both domestic and international destinations. Also, 3 all-cargo airlines have provided cargo service at the Airport during FY 2024. The Airport served approximately 6.6 million enplaned passengers in FY 2024. Other key points regarding historical and forecast aviation activity at the Airport include the following:

- Between FY 2014 and FY 2023, the Airport experienced a 4.4 percent CAGR in enplaned passengers, compared to a 2.2 percent CAGR for all airports in the United States.
- The airlines serving the Airport scheduled 161 average daily departures in FY 2024 to 43 domestic destinations and 6 international destinations. Nineteen of the airport's top 20 domestic origin and destination (O&D) markets are served nonstop, 16 of which are served by more than one airline.
- Southwest Airlines (Southwest) captured the largest share of the Airport's passengers, representing between 50 and 56 percent of total enplaned passengers between FY 2019 and FY 2024. During the period from FY 2014 to FY 2024, 9 airlines consistently provided seasonal or year-round service.

Forecasts of activity were developed based on analysis of local and national socioeconomic and demographic factors, historical O&D passengers, short-term published airline schedules, and current airline industry trends. Total enplaned passengers at the Airport are forecast to increase from 6.6 million in FY 2024 to 7.8 million in FY 2030, a CAGR of 2.9 percent.

Table S-5 presents a summary of historical and forecast enplaned at the Airport through the Projection Period.

TABLE S-5 HISTORICAL AND FORECAST ENPLANED PASSENGER

FISCAL YEAR	DOMESTIC ENPLANED PASSENGERS	INTERNATIONAL ENPLANED PASSENGERS	TOTAL ENPLANED PASSENGERS	ANNUAL GROWTH
Historical				
2014	4,311,133	65,104	4,376,237	
2015	4,546,641	83,204	4,629,845	5.8%
2016	4,846,744	96,441	4,943,185	6.8%
2017	5,078,528	119,656	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	4,813,906	127,028	4,940,934	-21.6%
2021	3,093,443	116,727	3,210,170	-35.0%
2022	5,625,842	167,739	5,793,581	80.5%
2023	6,258,484	184,770	6,443,254	11.2%
2024	6,400,198	196,958	6,597,156	2.4%
Forecast				
2025	6,622,933	216,927	6,839,860	3.7%
2026	6,812,638	223,140	7,035,778	2.9%
2027	7,002,641	229,364	7,232,005	2.8%
2028	7,193,041	235,600	7,428,641	2.7%
2029	7,384,198	241,861	7,626,059	2.7%
2030	7,576,222	248,151	7,824,373	2.6%
Compound Annual Growth Rate				
2014 – 2019	7.3%	18.7%	7.6%	
2014 – 2024	4.0%	11.7%	4.2%	
2024 – 2030	2.9%	3.9%	2.9%	

SOURCES: Sacramento County Department of Airports, July 2024 (historical data); Ricondo & Associates, Inc., July 2024 (forecast).

FINANCIAL ANALYSIS

Debt service, debt service coverage, and amortization of County funds expended on capital projects associated with the funding of the Series 2024 Projects, future SMForward projects, and other FY 2025 through FY 2029 CIP Projects, along with incremental Operating Expenses and Revenues resulting from the completion of those projects, are reflected in the financial analysis included in this Report and discussed in Chapter 6.

The current Airline Agreement is in effect through June 30, 2027. In developing the financial projections presented herein, a continuation of the rate-setting methodology set forth in the Airline Agreement was assumed for the entirety of the Projection Period. It is also assumed, in this Report, that the current airlines that have signed the agreement will continue to be signatory under the Airline Agreement and the airlines that have not signed the agreement will remain non-signatory through the Projection Period. However, both signatory and non-signatory revenues are included in the Report.

Based on the analysis in this Report and the financial projections presented in Chapter 6, Ricondo is of the opinion that the projected Net Revenues will be sufficient to satisfy the rate covenant set forth in the Indenture in each year of the Projection Period.

Ricondo is also of the opinion that the Airport's airline cost per enplaned passenger will remain reasonable based on the expectation that underlying airline costs, to the extent passed along to customers through ticket prices and fees, will not deter demand for air traffic at the Airport as airlines continue to deploy capacity to airports based on available resources. The resilient demand for air traffic, and therefore reasonableness of the projected CPE, is based on

- the strong and resilient economic base of the Air Trade Area,
- the well-established air service market served by a diversity of carriers, and
- a projected growth in the factors that drive future air traffic demand.

Results of the financial analysis presented in this Report can be summarized as follows:

- Operating Expenses are projected to increase based on the type of expense, incremental increases associated with the completion of capital projects, and expectations of future inflation rates, with total Operating Expenses projected to increase from approximately $165.6 million in FY 2025 to approximately $217.8 million in FY 2030, reflecting a CAGR of 5.6 percent.
- The County's total annual debt service relating to the Airport System (including projected debt service on the Series 2024 Bonds and future Obligations assumed to be issued to fund remaining SMForward projects) to be paid from Net Revenues is projected to be approximately $46.2 million in FY 2025 then increase throughout the Projection Period to $98.8 million in FY 2030.
- Nonairline Revenues, including all revenues generated for the Airport except for those revenues generated from the Airline Agreement, are projected to increase from approximately $133.8 million in FY 2025 to approximately $189.2 million in FY 2030, reflecting a CAGR of 7.2 percent.
- Airline revenues calculated based on the terms of the Airline Agreement are projected to increase from approximately $108.8 million in FY 2025 to approximately $164.3 million in FY 2030. The increase in airline revenues is primarily attributed to debt service payable on estimated Series 2024 Bonds and future bonds, expense and revenue impacts associated with certain Capital Program projects, as well as inflationary increases in Operating Expenses included in the airline rate requirements.
- The Airport's estimated average airline cost per enplaned passenger resulting from the airline revenues calculated based on the terms of the Airline Agreement is projected to increase from $15.15 in FY 2025 to $20.16 in FY 2030.
- Calculated pursuant to Section 6.04(b)(i) of the Indenture, Senior Obligation debt service coverage is projected to be 1.84x in FY 2028, the first year of full debt service on the Series 2024 Bonds and is expected to exceed the 1.25x debt service coverage requirement established in the Indenture in each year of the Projection Period, ranging between 1.74x and 2.94x.
- Calculated pursuant to Section 6.04(b)(ii) of the Indenture, Senior Obligation plus Subordinated Obligation debt service coverage is projected to exceed the 1.10x debt service coverage requirement in each year of the Projection Period, ranging between 1.59x and 2.79x.
- Calculated pursuant to Section 6.04(b)(iii) of the Indenture, debt service coverage on all Senior Obligations, Subordinate Obligations, and Junior Subordinate Obligations, without transfers, is projected to exceed the 1.00x debt service coverage requirement in each year of the Projection Period, ranging between 1.49x and 2.69x.

1. THE SERIES 2024 BONDS

1.1 PLAN OF FINANCE

The County of Sacramento (County) is issuing the County of Sacramento Airport System (Airport System) Senior Revenue Bonds, Series 2024 (Non-AMT) (the Series 2024 Bonds) to fund, in whole or in part, certain capital projects that are part of its SMForward program at Sacramento International Airport (SMF or the Airport), including the Pedestrian Walkway, Terminal B Parking Garage, and New Terminal A Exit Road. These projects, described in detail in Section 3.3 of this Report, are collectively referred to herein as the Series 2024 Projects.

Additionally, proceeds from the Series 2024 Bonds will be used to fund a deposit to the Senior Debt Service Reserve Fund, fund capitalized interest on a portion of the Series 2024 Bonds, and pay certain costs of issuance incurred in connection with the issuance of the Series 2024 Bonds.

Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement of the Series 2024 Bonds or the Master Indenture of Trust by and between the County and The Bank of New York Mellon Trust Company, N.A. (Trustee), dated as of May 1, 2008, as amended and supplemented, including as supplemented by an Eleventh Supplemental Indenture of Trust (Indenture).

Table 1-1 reflects the Series 2024 Bonds funding plan.

TABLE 1-1 SERIES 2024 BONDS FUNDING PLAN

PROJECTS TO BE FUNDED	ESTIMATED SERIES 2024 BONDS PROJECT FUNDING AMOUNT
Pedestrian Walkway	$61,018,655
Terminal B Parking Garage	$390,000,000
New Terminal A Exit Road	$15,000,000
Total	**$466,018,655**

SOURCE: Sacramento County Department of Airports, July 2024.

In addition to the Series 2024 Bonds, the County has applied for a loan through the US Department of Transportation (USDOT) Build America Bureau (BAB or the Bureau) Transportation Infrastructure Finance and Innovation Act (TIFIA Loan) to fund approximately $38.8 million of the Pedestrian Walkway project. The County anticipates closing on the TIFIA loan in January 2025. Chapter 3.5.7 of this Report provides additional information regarding the use of TIFIA Loan funds for the SMForward projects. The TIFIA Loan will be secured by Net Revenues but the County intends to pay the loan with available PFC revenues. Obligations associated with the TIFIA Loan are included in the financial projections described in Chapter 6 of this Report.

The remainder of this chapter describes the Series 2024 Bonds and key provisions of the Indenture.

1.1.1 THE SERIES 2024 BONDS

Table 1-2 presents the estimated sources and uses for the Series 2024 Bonds.

The Series 2024 Bonds are being issued pursuant to provisions of the Indenture. The County Board of Supervisors adopted the resolution authorizing the issuance of the Series 2024 Bonds on September 10, 2024.

TABLE 1-2 SERIES 2024 BONDS SOURCES AND USES

	SERIES 2024 BONDS (NON-AMT)
Sources	
Par Amount of Bonds	$502,385,000
Original Issue Premium	$35,390,886
Total Sources of Funds at Closing	**$537,775,886**
Uses	
Senior Construction Account Deposit	$466,018,655
Capitalized Interest Deposit	$46,813,812
Debt Service Reserve Fund Deposit	$22,130,859
Cost of Issuance	$2,812,560
Total Uses of Funds at Closing	**$537,775,886**

NOTES:
Amounts are preliminary and subject to change.
Totals may not add due to rounding.
SOURCE: PFM Financial Advisors, LLC, August 2024.

For purposes of the financial analysis in this Report, the County's Municipal Advisor has made the following assumptions for the Series 2024 Bonds, including interest rates based on market rates as of July 23, 2024, plus an additional 50 basis point cushion, as shown in **Table 1-3**.

TABLE 1-3 SERIES 2024 BONDS ASSUMPTIONS

	SERIES 2024 BONDS
First Maturity Date	7/1/2026
Last Maturity Date	7/1/2054
Average Life	19.602
True Interest Cost	4.48%

SOURCE: PFM Financial Advisors, LLC, August 2024.

1.1.2 MASTER INDENTURE OF TRUST

The Indenture authorizes the County to issue Additional Bonds or other financing obligations to fund Airport projects including additions, extensions, and improvements to the Airport System. The requirements of the Indenture were used in the preparation of this Report. Several key provisions of the Indenture are described in the following subsections:

1.1.2.1 REVENUES

Revenues are defined to mean all income, receipts, earnings, and revenues received by or accrued to the Sacramento County Department of Airports (the Department) from the ownership or operation of the Airport System. Revenues do not include the following: gifts, grants and other funds which are restricted by their terms to purposes inconsistent with the payment of Operating Expenses or payment of Obligations; net proceeds and other insurance proceeds to the extent 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; any Transfer,[5] except as and to the extent included in calculations made pursuant to the provisions of the Indenture relating to rates and charges; Special Facility Revenue, except as provided in the Indenture; any gain from the sale, exchange or other disposition of capital assets of the Airport System; Released Revenues; unrealized gains on securities held for investment by or on behalf of the County; gains resulting from changes in valuation of any Swap; any unrealized gains from the write-down, reappraisal or revaluation of assets; the proceeds of Obligations; Facilities Construction Credits; Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs), Grant Funds, investment income derived from any moneys or securities which may be placed in escrow or trust to defease Obligations; and arbitrage earnings which are required to be paid to the United States of America pursuant to Section 148 of the Code; and 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 the purposes of meeting any of the tests prescribed by the Indenture, any transfers from the Capital Improvement Fund to the Revenue Fund shall be deemed to be Revenues.

1.1.2.2 OBLIGATIONS

Obligations are any obligation of the County, including any Bond, issued pursuant to the Indenture and a Supplemental Indenture or Issuing Instrument, as applicable. Obligations may be issued as Senior Obligations, Subordinate Obligations, or Junior Subordinate Obligations. The Series 2024 Bonds will be issued as Senior Obligations. Currently outstanding Senior Obligations include the Series 2016 Senior Bonds, the Series 2018 Senior Bonds, and the Series 2020 Senior Bonds. Currently outstanding Subordinate Obligations include the Series 2016 Subordinate Bonds, the Series 2018 Subordinate Bonds, and the Series 2022 Subordinate Notes. In addition to the Series 2024 Bonds, additional Obligations are expected to be issued during the Projection Period and are reflected in this Report.

1.1.2.3 ADDITIONAL BONDS

One or more series of additional Bonds may be issued 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 lawful purpose.

The County may, at any time and from time to time, issue any additional Senior Obligations or 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 (FY)[6] 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 or issuance of the proposed additional Senior Obligations or additional Subordinate Obligations were sufficient to satisfy the rate covenant set forth in the Indenture for each of the next five full FYs following

[5] Transfer means with respect to a FY (a) the amount in the Capital Improvement Fund on the last Business Day of such FY plus (b) any amounts withdrawn from the Capital Improvement Fund during such FY 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 FY.

[6] Fiscal Year ending June 30.

issuance of the additional Senior Obligations or additional Subordinate Obligations, or each of the next two full FYs from the issuance of the additional Senior Obligations or additional Subordinate Obligations during which there is no capitalized interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such FYs on the proposed Senior Obligations or 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 Indenture for each of the next five full FYs following issuance of the additional Senior Obligations or additional Subordinate Obligations, or each of the next two full FYs from issuance of the additional Senior Obligations or additional Subordinate Obligations during which there is no capitalized interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such FYs on such proposed Senior Obligations or Subordinate Obligations.

For purposes of the above, the person signing the certificate required by such clause may assume that, in each relevant FY, Accrued Debt Service[7] for Outstanding Obligations will equal Aggregate Adjusted Annual Debt Service[8] for such FY.

1.1.2.4 RATE COVENANT

The County shall, while any Obligations are Outstanding under the Indenture 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 FY will be at least equal to 100 percent of the aggregate amount of transfers required to be made by the County pursuant to the Indenture during such FY (see **Exhibit 1-1**). The County shall further 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 FY:

(i) Net Revenues for such FY plus any Transfer will be equal to at least 125 percent of Accrued Debt Service on all Outstanding Senior Obligations for such FY, provided that the amount of any Transfer taken into account shall not exceed 25 percent of the Accrued Debt Service on the Outstanding Senior Obligations for such FY;

(ii) Net Revenues for such FY plus any Transfer will be equal to at least 110 percent of Accrued Debt Service on all Outstanding Senior Obligations and Subordinate Obligations for such FY, provided that the amount of any Transfer taken into account shall not exceed 10 percent of the Accrued Debt Service on the Outstanding Senior Obligations and Subordinate Obligations for such FY; and

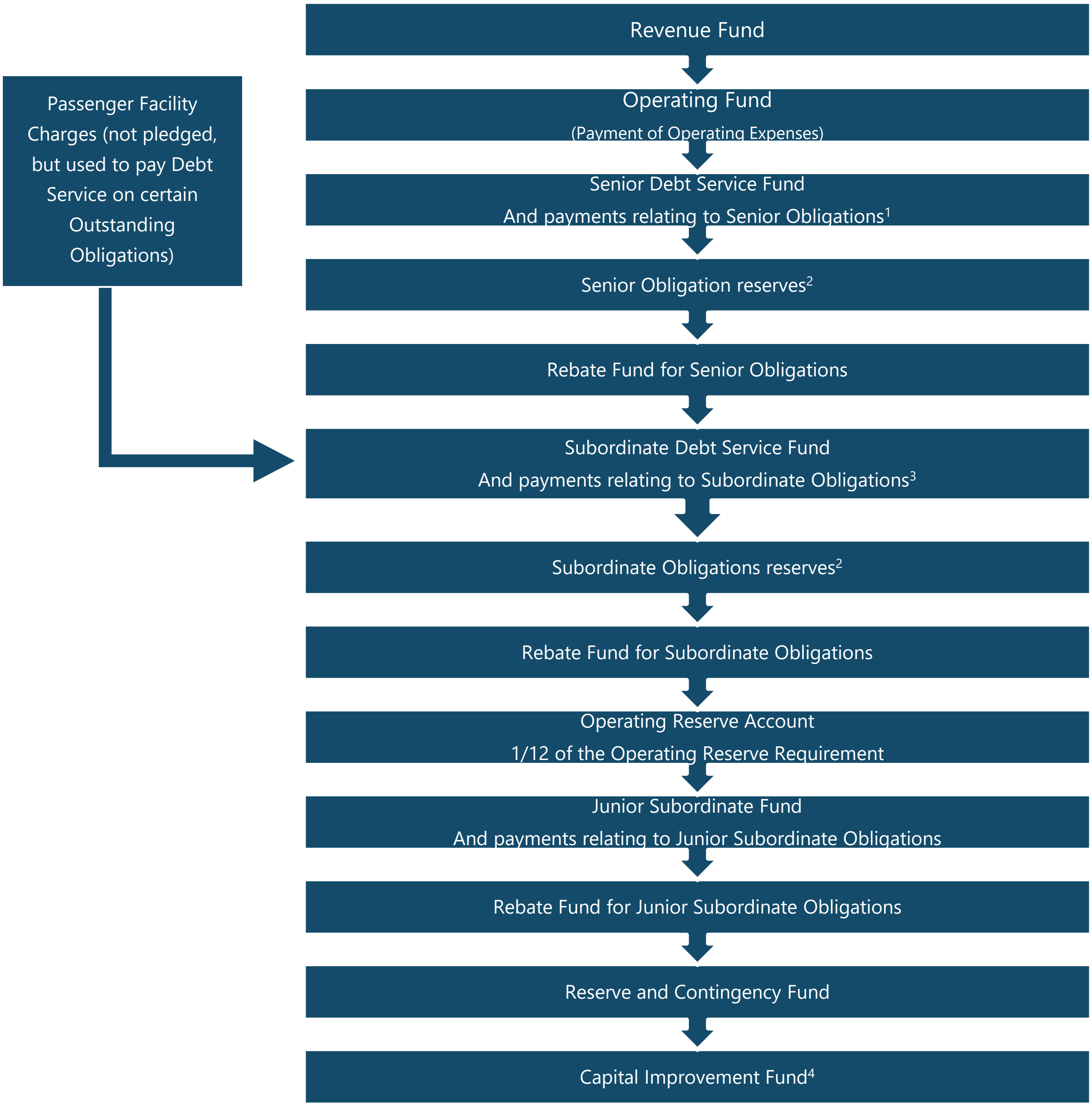
(iii) Net Revenues for such FY will be equal to at least 100 percent of Accrued Debt Service on all Outstanding Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations for such FY.

---

7 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.

8 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.

EXHIBIT 1-1 FLOW OF REVENUES SUMMARY



NOTES:
1 Includes Credit Provider Reimbursement Obligations for Senior Bonds, Net Payments for any Qualified Swaps related to Senior Obligations, other Senior Obligation payments.
2 Includes deposits to replenish or pay the applicable debt service reserve fund(s) related to Senior or Subordinate Obligations and the applicable reserve requirement and payments to Reserve Guaranty Providers for Senior or Subordinate Obligations
3 Includes Subordinate Debt Service Fund, Credit Provider Reimbursement Obligations for Subordinate Bonds, Net Payments for any Qualified Swaps related to Subordinate Obligations, other Subordinate Obligation payments and Termination Payments to Qualified Counterparties for Senior Obligations
4 Excess System Revenues to remain in the Revenue Fund or to be deposited to the Capital Improvement Fund
SOURCE: Sacramento County Department of Airports, July 2024.

1.1.2.5 APPLICATION OF REVENUES

The Indenture creates certain funds and accounts and establishes the principal functions and uses of each fund and account. The requirements of the Indenture and the rate-making methodology in the indenture and Airline Agreement were used to develop the estimated application of revenues included in the financial analyses included with this Report. Exhibit 1-1 presents the flow of Revenues based on the application of Revenues as specified in the Indenture.

2. COUNTY OF SACRAMENTO AIRPORT SYSTEM

2.1 THE AIRPORT SYSTEM

In addition to SMF, the County owns and operates (through the Department) Sacramento Mather Airport (MHR) and Franklin Field (F72). The Department also operates Sacramento Executive Airport (SAC), which the County leases from the City of Sacramento. Collectively, the four airports are referred to as the Airport System. Each airport within the Airport System has a unique aviation role in the Sacramento region.

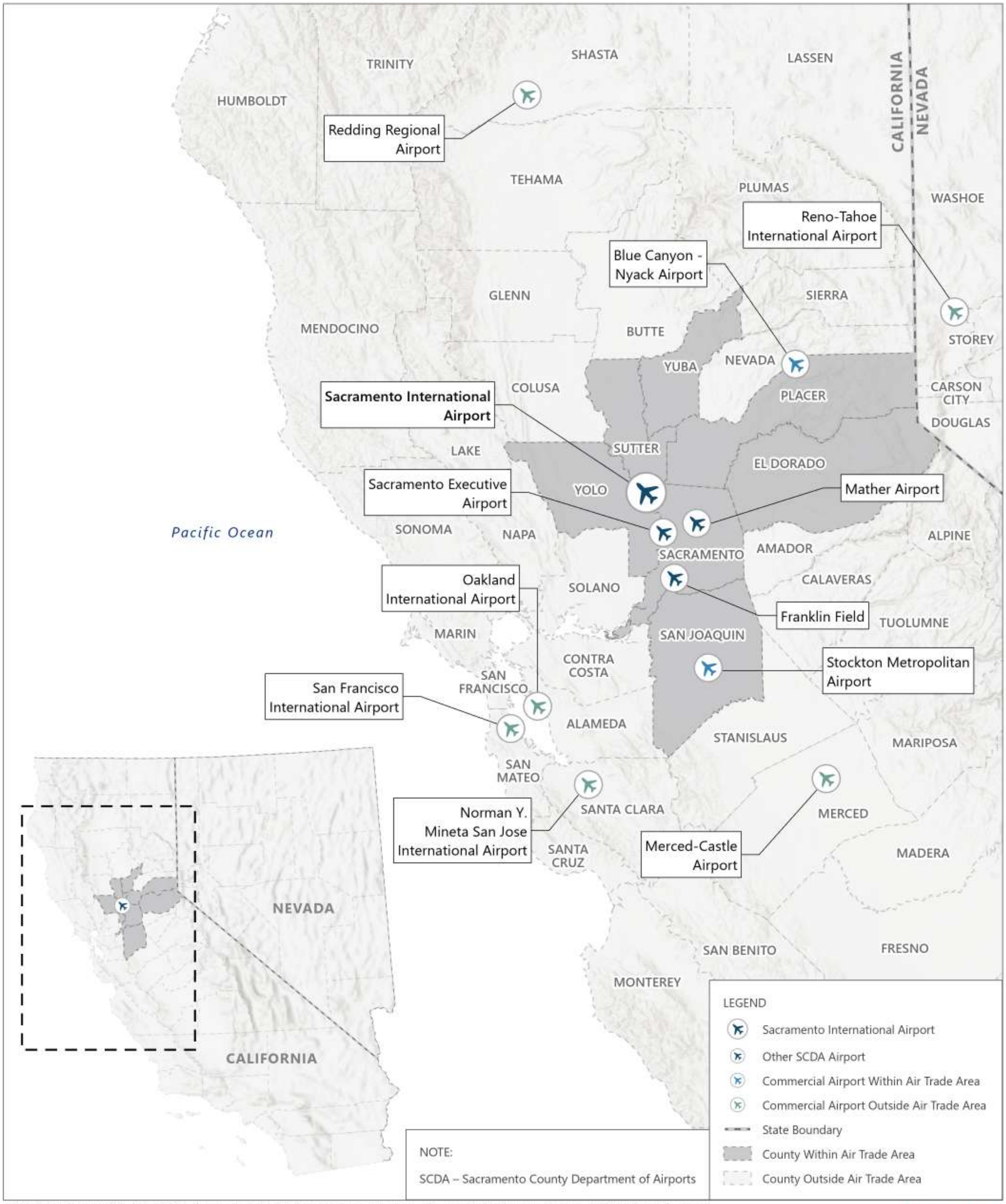
- SMF is the largest airport in the Airport System and focuses on passenger airline travel. The Airport is classified in the FAA National Plan of Integrated Airport Systems as a Commercial Service Primary Airport. The Airport is further classified as a medium hub airport by the FAA, accommodating at least 0.25 percent, but less than 1.00 percent of the nation's annual enplaned passengers.
- SAC was established in 1928 and currently serves general aviation, including private, corporate, and charter flights. Prior to the opening of SMF in 1967, SAC served as the commercial service airport for the area.
- MHR was originally established as an air force base in 1918. In 1992, the base was designated for closure under the Base Realignment and Closure program. The County subsequently took over the airfield and converted it into a public airport. MHR provides essential services for both civilian and military aviation operations, with a specific focus on air cargo.
- F72 was acquired by County in 1947 from the federal government under the Surplus Property Act of 1944 and was the site of bomber training during World War II. The airport serves the general aviation community exclusively, including flight training.

2.2 AIR TRADE AREA

The geographical area served by an airport is commonly known as the airport's "air trade area." The borders of an airport's air trade area are influenced by the location of other metropolitan areas and their associated airport facilities. For purposes of this Report, the *primary air trade area* (hereinafter referred to as the Air Trade Area) for the Airport System consists of the following Metropolitan Statistical Areas (MSAs), comprising seven counties: the Sacramento-Arden-Arcade-Roseville MSA (El Dorado, Placer, Sacramento and Yolo counties); the Stockton-Lodi MSA (San Joaquin County); and the Yuba City MSA (Sutter and Yuba counties). For most residents of and visitors to the Sacramento area, SMF is closer, in terms of distance and drive time, than competing airports in the Bay Area and the Reno/Tahoe area.

Based on location, accessibility, and services available at other commercial service airports within nearby service areas, it is recognized that the area served by the Airport System extends to a *secondary air trade area*. The secondary air trade area consists of the additional counties of Butte, Glenn, Colusa, Nevada, Amador, and Calaveras. The borders of secondary service area are established by the air trade areas of Oakland International Airport to the southwest and Reno-Tahoe International Airport to the east.

A large percentage of the SMF's local passenger traffic originates from the primary air trade area, and many of the attractions and destinations for nonresident passengers are located in this area. Therefore, only socioeconomic data for the primary air trade area (i.e., the Air Trade Area) were analyzed in Chapter 4 of this Report, in conjunction with similar data for California and the United States. **Exhibit 2-1** presents the geographical location of the Airport System's primary and secondary air trade areas, as well as the Airport's proximity to alternative facilities.



SOURCES: Esri, USGS, May 2024 (basemap); Esri, 2023 (states, counties, airports); US Census Bureau, 2023 (air trade area).

EXHIBIT 2-1

AIR TRADE AREA

Project: P:\GIS\Projects\SMF\MXD\SMF_AirTradeArea_20240522.aprx Layout: SMF_Exhibit2-1_ATA_20240814

2.3 EXISTING AIRPORT FACILITIES

This section describes the existing SMF facilities. **Exhibit 2-2** presents an aerial view of the Airport and identifies key Airport facilities. The Airport occupies approximately 5,900 acres in unincorporated Sacramento County, approximately 10 miles northwest of downtown Sacramento.

2.3.1 AIRFIELD

The airfield occupies approximately 25 percent of the total Airport land area and consists of two runways and associated taxiways, aprons, and hold pads.

The Airport has two parallel, prevailing wind north-south runways. Both runways are equipped with lighting and electronic navigational aids to permit all-weather continuous operations. Runway 17L-35R is the longest of the two runways, measuring 8,605 feet in length, with a width of 150 feet, and is equipped with high-intensity edge lighting, centerline lighting, an instrument landing system, and an approach lighting system. Runway 17R-35L measures 8,598 feet in length, with a width of 150 feet, and is equipped with high-intensity edge lighting, centerline lighting, an instrument landing system, and an approach lighting system. Both runways are composed of grooved concrete and are listed in good condition. Both runways are classified as Runway Design Code D-IV, able to accommodate aircraft with wingspans up to 171 feet. Air traffic operations are served by radar approach control and departure facilities, including airport surveillance radar located at the Airport, all operated by the FAA.

The runways are connected by a fully integrated system of taxiways. Each runway has a full-length parallel taxiway, Taxiway A for Runway 17R-35L and Taxiway D for Runway 17L-35R. Most taxiways at the Airport, including Taxiways A and D, have a width of 75 feet.

The primary aircraft aprons at the Airport include the passenger terminal apron, the air cargo apron to the east of Taxiway A and north of Terminal B, and the general aviation apron southwest of the end of Runway 17R-35L. The apron to the north of the general aviation apron, east of Taxiway A, is also used for air cargo.

2.3.2 PASSENGER TERMINAL FACILITIES

The Airport passenger terminal complex is located between the two parallel runways and is defined as the two terminal buildings and associated concourses, which provide more than 1.0 million square feet of space and 32 aircraft gates. Terminal functions in both terminals include ticketing, baggage claim, passenger and baggage security screening functions, and concessions.

2.3.2.1 TERMINAL A

Terminal A was constructed in 1998 and provides approximately 338,000 square feet of space on three levels, including a basement. The first level includes passenger baggage claim and the baggage handling and sorting areas used by airline personnel, along with ground transportation, Department building maintenance office space, and storage and mechanical spaces. This level also contains ticket counter check-in positions (including kiosks), airline office space, and Transportation Security Administration (TSA) checked baggage screening facilities. The second level contains the TSA passenger security screening checkpoint, concessions, Department offices, and mechanical rooms.

Concourse A, provides 13 gates, each equipped with a passenger loading bridge, with facilities on two levels. The first level contains airline operations offices and spaces for airline personnel, building, and baggage maintenance functions, along with concession storage, and building mechanical and electrical spaces. The second level contains the TSA passenger security screening checkpoint, a concession mall/food court, and holdrooms. American Airlines (American), Delta Air Lines (Delta), United Airlines (United) and Air Canada operate from Terminal A.

SOURCE: Nearmap, June 2023 (aerial photography - for visual reference only, may not be to scale).

EXHIBIT 2-2

EXISTING AIRPORT FACILITIES

2.3.2.2 TERMINAL B

Terminal B opened in 2011 as part of the County's major capital improvement program at the time, "The Big Build," and provides approximately 724,000 square feet of space on five levels, including a basement. The Terminal B structure includes a multi-story building connected to a concourse by an automated people mover (APM). The Terminal B basement level contains baggage sortation and screening facilities, TSA offices and break rooms, maintenance space for building and baggage handling system contractors, airline and baggage handling operator break areas, and mechanical and electrical rooms. The first level contains baggage claim and airline baggage offices, ground transportation office spaces, Department building maintenance offices spaces, concession storage space, and building mechanical and electrical spaces. The second level contains airline ticket counters and offices, Department offices, and mechanical and electrical rooms. The third level is the primary public circulation level of the building and includes concessions areas and the APM station connecting the terminal to Concourse B. The fourth level consists of Department offices.

Concourse B provides 19 aircraft gates, each equipped with a passenger loading bridge, and approximately 300,000 square feet of space on two levels. The first level contains the federal inspection services (FIS) facility used by the US Customs and Border Protection (CBP) to process incoming passengers and baggage for international flights. This level also includes airline operations offices and spaces for airline personnel, as well as building and APM maintenance functions. Concession storage and building mechanical and electrical spaces are also provided. The second level contains the TSA security screening checkpoint, a concession mall/food court, lounge, and holdrooms. Terminal B serves Southwest Airlines and a mix of other air carriers, including Aeromexico, Alaska Airlines, Frontier, Hawaiian Airlines, Horizon, Jet Blue, Spirit, and Volaris.

2.3.3 GROUND ACCESS AND PARKING

Primary access to the Airport is provided from the south via Interstate 5 and Airport Boulevard, which provides access to the passenger terminals and all other Airport landside facilities. Airport Boulevard is divided into two independent loops. One loop provides access to curbside facilities serving Terminal A, the parking garage, and surface parking. The other loop provides access to curbside facilities serving Terminal B and surface parking. Lindbergh Drive serves cargo and general aviation facilities. Aviation Drive provides access to the economy parking lot, rental car facilities, and maintenance facilities. Completed in May 2024, Elkhorn Boulevard was extended from Powerline Road to Crossfield Drive, and provides access to Highway 99.

2.3.3.1 TERMINAL CURBSIDES

The Terminal A curbside is a single-level roadway serving the ticketing areas on the east side of the terminal and baggage claim areas on the west side of the terminal. The inner curb includes five lanes, with two lanes reserved for active loading and unloading of passengers and three travel lanes. The outer curb consists of three lanes, with one lane reserved for loading and unloading of shuttle buses and two travel lanes. The commercial vehicle plaza located at the west end of Terminal A provides loading areas for taxicabs, shared-ride vans, limousines, transportation network companies (TNCs), and courtesy hotel/motel vehicles.

The Terminal B curbside consists of two parallel roadways, an inner curb for private vehicles, and an outer curb reserved for commercial vehicles. The lower-level inner curb consists of a west side pickup curbside serving Southwest Airlines, and an east side pickup curb serving all other Terminal B airlines. The lower-level outer curb consists of a west side pickup curb for taxicabs, limousines, shared-ride vans, and hotel/model courtesy vehicles. The east side pickup curb is reserved for transit buses, the inter-terminal shuttle bus, Airport-operated shuttle buses serving surface parking lots and the rental car facilities.

2.3.3.2 EXISTING PARKING FACILITIES

Public parking is provided in a parking garage and five surface lots. The six-level parking garage is located adjacent to Terminal A and provides 5,171 spaces. Elevated walkways connect the parking garage to Terminal A and Terminal B. An hourly parking lot is located west of Terminal B providing 726 spaces. A daily parking lot is located south of the parking garage with a total of 2,983 spaces. Two economy lots are available east and west of the loop roadway. The East Economy Lot is the largest parking lot at the Airport, with a capacity of 5,813 spaces. The West Economy Lot includes 2,370 spaces. A cell phone waiting lot/area is located south of Crossfield Drive between Elkhorn Boulevard and Airport Boulevard, with a maximum of three hours of free waiting.

Parking for Airport and tenant employees is provided in several parking facilities at the Airport, with a total of approximately 1,800 spaces. The largest employee parking lot is located east of Terminal A with a capacity of 796 spaces. An additional 588 spaces are located south of Terminal B. Other employee parking areas have 100 or fewer spaces, including parking for a small number of employees provided within the leased areas for general aviation and cargo facilities.

2.3.3.3 RENTAL CAR FACILITIES

Rental car facilities comprising approximately 1.6 million square feet are located west of the East Economy Lot and accommodate 10 rental car brands. The facilities consist of customer areas, a customer service building, ready/return parking areas (848 spaces), and service centers that each rental car company uses for fueling, washing, and light maintenance of rental cars. The rental car companies periodically request space for vehicle storage, with space requirements depending upon company operations. The rental car facilities have a curb for shuttle bus loading and unloading, and a limited number of visitor parking spaces.

2.3.3.4 SHUTTLE BUS OPERATIONS

The Department operates four shuttle bus routes serving passengers and employees. The buses provide service between the terminals and remote parking facilities and rental car facilities. When not in use, shuttle buses are stored in the Shuttle Bus Lot, as well as a section of the daily parking lot not accessible by the public.

2.3.3.5 COMMERCIAL VEHICLE FACILITIES

In addition to the commercial vehicle facilities located within the terminal area, the Airport provides a staging area located east of the Airport gas station (at the south end of Airport Boulevard) for taxicabs and shared-ride vehicles awaiting dispatch to the terminal area. The staging area is striped to accommodate 46 vehicles and has a 720-square-foot lounge and restroom facility for the commercial operators.

2.3.3.6 PUBLIC TRANSIT SERVICES

Public transit service to the Airport is provided by bus. Yolobus operates routes serving the Airport and regional area. Sacramento Regional Transit District (SacRT) provides service between the Airport and downtown Sacramento. Transit buses pick up and drop off riders on the outer curb at Terminal A and on the lower level eastern outer curb at Terminal B.

2.3.4 AIR CARGO FACILITIES

Air cargo facilities are located on the west side of the Airport and include several facilities used by passenger and cargo airline operators. Cargo airlines include FedEx Express, UPS Airlines, and Amazon Prime Air, which is operated by various carriers such as Atlas Air, ABX Air, and others. Numerous passenger airlines maintain cargo operations at the Airport, including Alaska Airlines, American, Delta, Southwest, and United. The US Postal Service operates a 19,000-square-foot mail facility on Lindbergh Drive adjacent to the employee parking lot.

2.3.5 GENERAL AVIATION FACILITIES

Modern Aviation provides fixed base operator (FBO) services at each of the Airport System airports, except for Franklin Field, which has no FBO. At SMF, the FBO site consists of a 40,000-square-foot hangar used for aircraft storage and maintenance and a 6,500-square-foot building that accommodates the FBO's administrative services, a pilot lounge, and other crew and passenger amenities. Additional FBO facilities include a 12,000-square-foot hangar and a total of 340,000 square feet of aircraft parking apron. The FBO provides a complete range of general aviation services, including fueling, onsite rental car, customs, ground handling, hangar storage, lounge and office space, and other amenities. An additional commercial hangar (not currently leased by the FBO), comprising 14,540 square feet, has historically been used in various capacities, including as a corporate hangar and a cargo facility.

The Cessna Citation Service Center provides aircraft maintenance, servicing all Cessna Citation and Carvan, Beechcraft, and Hawker aircraft. Services include airframe inspections and maintenance, avionics troubleshooting and modifications, and inspections and coordination of overhauls. The facility consists of a 57,362-square-foot hangar, 78,000 square feet of apron space, and fuel tanks.

The FAA maintains a flight inspection field office south of the Textron facility, performing flight inspection activities to certify navigational aids and instrument flight procedures for the Sacramento region. The facilities consist of 22,339 square feet of hangar space and 24,000 square feet of apron space.

2.3.6 AIRPORT SUPPORT FACILITIES

Airport support facilities located at SMF include the following:

- Airport fire station – The Airport fire station comprises 10,000 square feet and houses equipment pursuant to FAA guidelines and regulations for Airport Rescue and Fire Fighting (ARFF) Index C.
- In-flight catering – LSG Sky Chefs provides in-flight catering services to the passenger airlines serving the Airport. The company leases a 104,000-square-foot site, including a 30,000-square-foot building southwest of Terminal B.
- Airport Administration Facilities – The Department occupies office space in both terminals, including administrative facilities in Terminal A and executive offices and other administrative spaces in Terminal B. Other Department buildings on the Airport include an operations building, physical plant maintenance building, and a central warehouse building.
- Aircraft Fuel Storage – The Airport's fuel farm is located northeast of the Airport fire station and includes storage tanks for Avgas and jet fuel. The fuel farm is owned by an airline consortium led by Southwest Airlines and is operated by Allied Aviation under contract with the airline.
- Airport Storage and Maintenance – Facilities for the storage of Airport maintenance equipment are located adjacent to the Airport fire station.
- Airport Traffic Control Tower (ATCT) – The FAA operates an ATCT, which is located south of the passenger terminal complex between the runways.

3. THE CAPITAL PROGRAM, SERIES 2024 PROJECTS, AND FUNDING SOURCES

This chapter summarizes the County's airport Capital Program; the Series 2024 Projects; Capital Program funding sources; and Capital Program funding assumptions included in the financial analysis in this Report.

3.1 THE AIRPORT MASTER PLAN

The current master plan for the Airport (the 2020 Master Plan) was initiated in 2020 and approved by the County in February 2022. Stated goals of the 2020 Master Plan included meeting aviation demand over the 20-year planning period, providing superior customer service through multimodal access, congestion-free spaces, technology-driven conveniences, and special needs accommodations, and promoting environmental responsibility by building with a plan to minimize impacts to the environment and adjoining communities.

The 2020 Master Plan establishes the need for future capital development at the Airport and identifies preferred alternatives for airfield, terminal, ground transportation, and other facilities. Airfield improvements focus on taxiway improvements for operational efficiencies and to meet FAA design standards. Terminal area improvements focus on providing additional aircraft gates and parking aprons, along with additional space and equipment inside the terminal to support new gates. Ground transportation improvements focus on providing additional close-in and remote vehicle parking, as well as a ground transportation center and a consolidated rental car facility (ConRAC), and Airport roadway improvements. Other improvements identified in the 2020 Master Plan include a new Airport fire station, cargo area expansion, and commercial development.

The 2020 Master Plan defines short-, medium-, and long-term development at the Airport based on planning activity levels (PALs), rather than at set future year timeframes, which allow the Department to plan for and implement facility improvements as demand warrants. This allows the Department to respond to changes in demand, either higher or lower than the forecast, regardless of the year in which those changes take place. Development at the Airport is based on four PALs for determining when future facility improvements should be implemented.

- PALs 1 and 2 represent the short-term with passenger activity levels reaching 7.4 million and 8.2 million enplaned passengers, respectively.
- PAL 3 represents the mid-term with passenger activity levels reaching 9.2 million enplaned passengers.
- PAL 4 represents the long-term with passenger activity levels reaching 10.2 million enplaned passengers.

According to the aviation activity forecast presented in Chapter 5 of this Report, the Airport is forecast to reach approximately 7.4 million enplaned passengers (PAL 1) by FY 2028 and approximately 7.8 million enplaned passengers (approaching PAL 2) by FY 2030, the end of the Projection Period for this Report.

Several capital projects recommended in the 2020 Master Plan have been completed at the Airport since 2020. In May 2020, a 40,500 square-foot cargo facility was completed in partnership with Aeroterm (now Realterm Transportation, LLC), a national owner and developer of on-airport cargo facilities. In August 2020, the Department commenced construction of a new 20,865 square-foot Airport fire station, which was completed in June 2022. In May 2024, the County completed the Elkhorn Boulevard Extension Project at the Airport. These projects were specific focus areas of PAL 1.

3.2 SMFORWARD

Continued implementation of the 2020 Master Plan has led to the *SMForward* program, which was announced in February 2023 as the largest construction program in the Airport's history at a total budget of approximately $1.3 billion, with goals to enhance customer convenience, comfort, and accessibility at the Airport, while meeting projected passenger demand through PAL 2 of the 2020 Master Plan.[9] The seven projects included in the SMForward program are described below and depicted on **Exhibit 3-1**.

Pedestrian Walkway ($140 million)

This project involves the construction of an elevated pedestrian walkway between the existing Terminal B and Concourse B, running approximately parallel to the existing APM guideway. The pedestrian walkway will be a conditioned building extending from Terminal B over Airport Boulevard and Lindbergh Drive to a vertical circulation hub that will transition the walkway from the terminal level to the lower concourse level to match the level of the APM system in Concourse B. The pedestrian walkway is comprised of several components, totaling 87,471 square feet, including the South Walkway, North Walkway, and a central Vertical Circulation Hub, as follows:

- **South Walkway** – The South Walkway will connect Terminal B to the Vertical Circulation Hub. The overall width of the South Walkway is designed to be 50 feet to accommodate a greater passenger load, including provision for moving walkways. The South Walkway will allow for a potential future Security Checkpoint connection point. The materials and finishes for the South Walkway are anticipated to match other existing Terminal B facilities, including a patterned terrazzo floor, linear wood ceiling, and 12 feet storefront glazing at both sides of the walkway.
- **Vertical Circulation Hub** – The multi-level Vertical Circulation hub structure serves as a transition for an elevation change between South and North Walkways, but also as a midpoint structure between Terminal B and Concourse B structures. The hub will include four escalators, two passenger elevators, stairs, and one service elevator. To allow for maximum future flexibility, four primary connection points are provided within the primary passenger areas of the hub: two at the upper level, and two at the lower level, positioned on opposite sides. In addition to the North and South Walkways, connections have been considered for back-of-house corridors and circulation at both the apron level shell space, as well as the concourse level mechanical spaces.
- **North Walkway** – The North Walkway will connect the Vertical Circulation Hub to Concourse B and will be similar to the South walkway, but with an overall width reduction to 40 feet while allowing for the same envelope, structure, and moving walkway as the South Walkway. Moving walkway equipment is anticipated to be located on the perimeter of the walkway. Location of the moving walkways along the exterior glazing results in a better proportioned clear center space to serve circulation and passenger loads during peak periods. Similar material treatments for the interior finishes will also match the remaining walkways and connectors, utilizing durable, cleanable, and quality finishes such as terrazzo, phenolic panels, stainless steel, and wood ceilings.

The pedestrian walkway project will be delivered using the construction manager at-risk (CMAR) method in which the construction manager acts as a consultant during the project design phase, and as the general contractor during the construction phase. The contract for this project was awarded in Spring of 2024, with construction beginning in July 2024, and final delivery scheduled for December 2025 (FY 2026).

---

[9] As of the date of this Report, the Department has begun the process of initiating a new Master Plan Update for SMF that will assess the Airport's long-range needs beyond the SMForward projects.

SOURCES: Nearmap, June 2023 (aerial photography - for visual reference only, may not be to scale); Sacramento Department of Airports, September 2024.

NORTH 0 500 ft

EXHIBIT 3-1

SMFORWARD PROGRAM ELEMENTS

Terminal B Parking Garage ($390 million)

This project involves construction of a new parking garage on the west side of Terminal B to provide an additional 5,500 parking spaces. This project will be delivered using the design-build project delivery method, with the design-build contract awarded in the summer of 2024. Construction is scheduled to begin in October 2024 with the facility estimated to open in October 2026 (FY 2027).

Terminal A Exit Roadway ($15 million)

This is a design and construction project to update the Lindbergh Drive alignment around Terminals A and B to allow for more efficient vehicle circulation. The project will allow for better traffic flow and to facilitate traffic pattern changes required for subsequent projects. This project will be delivered using the traditional design-bid-build delivery method. This project is estimated to be completed in May 2026 (FY 2026).

Ground Transportation Center ($50 million)

This project involves construction of a consolidated Ground Transportation Center (GTC) to replace the existing GTC facilities at Terminal A and Terminal B. The GTC will be located between Terminal B and the existing Terminal A parking garage. The facility will consist of two or three roadways parallel to the existing Terminal B curbside roadways. Commercial vehicle activities such as shuttles, taxis, limos, transportation-chartered parties, and TNCs will each have space allocated on the curbside roadways of the GTC. Elevated walkways will connect Terminal A and Terminal B to the GTC. The consolidated GTC could be used for both passenger pickup and drop-off activities, which will reduce congestion on the existing curbside roadway infrastructure. One key enabling project required to create physical space for the GTC in the proposed location is the re-routing of the Terminal A exit roadway counterclockwise, around the north side of Terminal B, south of the roundabout and under the APM guideway. The roadway will rejoin the Airport exit roadway on the west side of the existing Hourly B lot site. This project will be delivered utilizing the traditional design-bid-build delivery method and is estimated to be completed in June 2027 (FY 2027).

Concourse B Expansion ($250 million)

This project will expand Concourse B to add additional gates and supporting infrastructure to increase capacity. Project elements include new gates, loading bridges, hold areas, and supporting infrastructure. This project will be delivered utilizing the CMAR project delivery method and is estimated to be completed in April 2028 (FY 2028).

Terminal A Expansion ($50 million)

This project will expand Terminal A, with elements that may include larger ticket counter areas and baggage handling systems. A building assessment to determine infrastructure and mechanical/electrical system requirements will be required to support the expansion. Construction completion is estimated for September 2027 (FY 2028).

Consolidated Rental Car Center ($391 million)

According to the 2020 Master Plan, the existing rental car site at the Airport operates in a constrained environment and has an inefficient layout with deficient security for modern car rental activities. This project involves construction of a ConRAC that is walkable to both terminals, providing a more streamlined, convenient, and up-to-date experience for passengers. Upon completion of the facility, the existing car rental site and facilities may be repurposed for rental car maintenance and/or other Airport functions. The initial phase of this project addresses environmental and planning requirements, including determining the size, location, and layout for the new facility. Subsequent phases will address design development and the construction process, including the project delivery method. The facility is estimated to be completed in FY 2028.

3.3 THE SERIES 2024 PROJECTS

Proceeds from the Series 2024 Bonds will be used to fund, in whole or in part, certain SMForward projects, including the pedestrian walkway, Terminal B parking garage, and Terminal A exit roadway (the Series 2024 Projects). The estimated cost of the Series 2024 Projects totals approximately $545.0 million, of which approximately $468.7 million is anticipated to be funded with proceeds from the Series 2024 Bonds.

3.4 CAPITAL PROGRAM

For purposes of this Report, the Capital Program comprises the County's Final FY 2024-25 Capital Improvement Plan (CIP) for the Airport System, which was approved by the County Board of Supervisors on June 5, 2024 as part of the County's overall FY 2025 Budget. The CIP identifies Airport System projects to be completed over the subsequent five years through FY 2029 and also identifies project costs expended in prior years. The County undertakes annual renovations, improvements, and expansions of its facilities to enhance the passenger experience and address the needs of the Airport System.

The CIP includes the SMForward projects, all of which are estimated to be completed within the Projection Period. In addition to the SMForward projects, other capital projects are included in the County's CIP through FY 2029 and will be funded through a combination of funding sources described later in this chapter. Projects included in the County's CIP, representing the Capital Program included in the financial analysis presented in this Report, are summarized below by project type/location.

- **SMForward Projects ($1.3 billion).** SMForward projects include the pedestrian walkway, Terminal B parking garage, Terminal A exit roadway, the consolidated GTC, Concourse B expansion, Terminal A expansion, and the ConRAC.
- **Airfield Projects ($61.8 million).** This category includes taxiway rehabilitation and reconfiguration, apron pavement repair/rehabilitation, and construction of a new airfield maintenance facility.
- **Terminal Projects ($75.6 million).** Terminal A projects include security checkpoint expansion, restroom rehabilitation, ceiling replacement, and a chiller upgrade. Terminal B/Concourse B projects include near term augmentation gates, baggage handling system upgrades, jet bridge replacement, jet bridge pre-conditioned air unit upgrades, jet bridge controls modernization, and a custodial breakroom.
- **Ground Transportation Projects ($101.7 million).** This category includes expansion of the economy parking lot, Elkhorn Boulevard extension, Lindbergh Drive widening and rehabilitation, parking and revenue control system equipment, digital signage replacement, a new bus administration building, terminal crosswalk signals, pavement overlay of Airport entrance roads, Flight Inspection Field Office parking lot rehabilitation, and Terminal B exit lane upgrades.
- **Other/Support Projects ($39.0 million).** This category includes replacement of security access card and video surveillance systems, the Airport's air program, the SMForward project management campus, paging system upgrades, land acquisition, a new on-site materials testing laboratory, and California Department of General Services building upgrades.
- **Critical Equipment Replacement Program (CERP) ($13.9 million).** The CERP includes regular inspections to determine essential building repairs or replacement requirements. Most of these projects involve exterior painting, flooring replacement, generator replacement, roof replacement, and other systems and equipment replacement.

- **Executive Airport (29.5** million). CIP projects at Sacramento Executive Airport include airfield safety area improvements, runway, taxiway, and apron rehabilitation, a new connector taxiway, air traffic control tower rehabilitation, and various CERP projects.
- **Franklin Field ($2.5 million).** CIP projects at Franklin Field include rehabilitation of the aircraft parking apron and access road repaving.
- **Mather Airport ($81.2 million).** CIP projects at Mather Airport include building demolition, installation of an ILS and runway lighting, fuel farm upgrades, building interior rehabilitation, air traffic control tower rehabilitation, fire station rehabilitation, radio crash system replacement, general aviation apron and drainage improvements, runway and taxiway rehabilitation, vehicle service road pavement rehabilitation, and aircraft apron rehabilitation.

3.5 CAPITAL PROGRAM FUNDING SOURCES

The County intends to use a combination of funding sources to fund the Capital Program, including Department Funds, FAA Airport Improvement Program (AIP) and state grants, PFC revenues, CFC revenues, IIJA funds, proceeds from the Series 2024 Bonds, future Airport Revenue Bond proceeds, and TIFIA loan proceeds. **Table 3-1** presents a summary of the Capital Program projects anticipated to be undertaken during the Projection Period, and also identifies the funding sources anticipated to be used to fund those projects. As presented, the estimated cost of the Capital Program totals approximately $1.7 billion. With approximately $124.9 million of project expenditures prior to FY 2025, total Capital Program costs anticipated to be expended during the Projection Period totals approximately $1.6 billion.

3.5.1 DEPARTMENT FUNDS

The Department anticipates using approximately $327.0 million of its unencumbered available cash to fund a portion of the Capital Program.

3.5.2 AIRPORT IMPROVEMENT PROGRAM AND STATE GRANTS

For those projects anticipated to be eligible for FAA AIP funding, up to 75 percent of estimated project costs may be funded from that source. Before federal approval of any AIP grant applications can be given, eligible airport sponsors must provide written assurances that they will comply with a variety of statutorily specified conditions. One such assurance is the so-called "airport generated revenues" assurance which provides that all airport-generated revenues will be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the applicant that are directly and substantially related to air transportation of passengers or property. The remainder of AIP-eligible project costs is assumed to be funded from other sources such as PFCs and Department funds.

The Capital Program assumes a total of approximately $67.2 million of project costs will be funded with AIP grants through the Projection Period. To the extent that such AIP grants are assumed to be discretionary rather than entitlement funds, should discretionary AIP funds not become available, the Department will determine if the projects can be delayed or will utilize other sources of funds to undertake those projects.

The County anticipates receiving $11.0 million in California state grants through the Trade Corridor Enhancement Program (TCEP) for the Elkhorn Boulevard extension project. The TCEP funds projects designed to move freight more efficiently on corridors with high volumes of freight. This statewide competitive program provides approximately $300 million per year in state funding for eligible projects.

TABLE 3-1 AIRPORT CAPITAL PROGRAM AND ANTICIPATED FUNDING SOURCES

	ESTIMATED COSTS			ESTIMATED FUNDING SOURCES							
PROJECT NAME	PRIOR YEARS	FY 2025 - FY 2029	TOTAL CIP	DEPARTMENT FUNDS	AIP AND STATE GRANTS	PFC REVENUE	CFC REVENUE	IIJA	2024 BONDS	FUTURE SENIOR OBLIGATIONS[1,2]	FUTURE SUBORDINATE OBLIGATIONS[2,3]
SMFORWARD PROJECTS											
Pedestrian Walkway	$4,370,200	$135,629,800	$140,000,000	$0	$0	$7,103,205	$0	$33,043,639	$61,018,655	$38,834,501	$0
Terminal B Parking Garage	$3,053,100	$386,946,900	$390,000,000	$0	$0	$0	$0	$0	$390,000,000	$0	$0
Terminal A Exit Roadway	$602,500	$14,397,500	$15,000,000	$0	$0	$0	$0	$0	$15,000,000	$0	$0
Ground Transportation Center	$3,037,500	$46,962,500	$50,000,000	$0	$0	$0	$0	$0	$0	$50,000,000	$0
Concourse B Expansion	$0	$250,000,000	$250,000,000	$0	$0	$7,750,000	$0	$41,845,758	$0	$146,779,242	$53,625,000
Terminal A Expansion	$0	$50,000,000	$50,000,000	$0	$0	$0	$0	$0	$0	$37,750,000	$12,250,000
Consolidated Rental Car Center	$913,900	$390,086,100	$391,000,000	$0	$0	$0	$391,000,000	$0	$0	$0	$0
Total SMForward Projects	**$11,977,200**	**$1,274,022,800**	**$1,286,000,000**	**$0**	**$0**	**$14,853,205**	**$391,000,000**	**$74,889,397**	**$466,018,655**	**$273,363,743**	**$65,875,000**
OTHER SMF PROJECTS											
Airfield	$867,800	$60,950,000	$61,817,800	$34,074,320	$27,743,480	$0	$0	$0	$0	$0	$0
Terminal	$48,448,800	$27,104,100	$75,552,900	$75,552,900	$0	$0	$0	$0	$0	$0	$0
Ground Transportation	$49,026,900	$52,688,400	$101,715,300	$90,715,300	$11,000,000	$0	$0	$0	$0	$0	$0
Other/Support	$2,696,800	$36,270,000	$38,966,800	$38,966,800	$0	$0	$0	$0	$0	$0	$0
CERP	$1,822,700	$12,052,000	$13,874,700	$13,874,700	$0	$0	$0	$0	$0	$0	$0
Total Other SMF Projects	**$102,863,000**	**$189,064,500**	**$291,927,500**	**$253,184,020**	**$38,743,480**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total SMF Projects	**$114,840,200**	**$1,463,087,300**	**$1,577,927,500**	**$253,184,020**	**$38,743,480**	**$14,853,205**	**$391,000,000**	**$74,889,397**	**$466,018,655**	**$273,363,743**	**$65,875,000**
OTHER AIRPORTS											
Executive Airport	$843,000	$28,693,200	$29,536,200	$17,521,200	$12,015,000	$0	$0	$0	$0	$0	$0
Franklin Field	$0	$2,500,000	$2,500,000	$1,555,000	$945,000	$0	$0	$0	$0	$0	$0
Mather Airport	$9,216,800	$71,996,300	$81,213,100	$54,713,100	$26,500,000	$0	$0	$0	$0	$0	$0
Total Other Airports	**$10,059,800**	**$103,189,500**	**$113,249,300**	**$73,789,300**	**$39,460,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
TOTAL CAPITAL PROGRAM INCLUDED IN FINANCIAL ANALYSIS	**$124,900,000**	**$1,566,276,800**	**$1,691,176,800**	**$326,973,320**	**$78,203,480**	**$14,853,205**	**$391,000,000**	**$74,889,397**	**$466,018,655**	**$273,363,743**	**$65,875,000**

NOTES:
AIP – Airport Improvement Program
CFC – Customer Facility Charge
CERP – Critical Equipment Replacement Program
CIP – Capital Improvement Plan
IIJA – Infrastructure Investment and Jobs Act
PFC – Passenger Facility Charge
SMF – Sacramento International Airport

1 Future Senior Obligations include Series 2025 Revenue Bonds and an anticipated Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan ($38.8 million associated with the Pedestrian Walkway project).
2 The County intends to use PFC revenues to pay principal and interest on the TIFIA Loans assumed as funding sources for the Capital Program.
3 Future Subordinate Obligations include Subordinate Revenue Bonds and/or one or more TIFIA Loans.
SOURCE: Sacramento County Department of Airports, July 2024.

3.5.3 PASSENGER FACILITY CHARGE REVENUE

Imposition of a PFC by an airport operator is authorized through the Aviation Safety and Capacity Expansion Act of 1990 (PFC Act), as implemented by FAA regulations. The PFC Act permits a public agency that controls an airport to charge each eligible paying passenger enplaning at an airport (subject to certain limited exceptions) a PFC of up to $4.50 upon FAA approval. Pursuant to the PFC Act and the County's current approvals from the FAA, the County may, with certain exceptions, charge each paying passenger who enplanes at the Airport a PFC of $4.50. The PFC Act requires air carriers and their agents to collect a PFC and remit to the County on a monthly basis the proceeds of such collections, less a $ 0.11 handling fee and without interest earned prior to such remittance.

PFC revenue is used to fund projects that preserve or enhance capacity, safety or security of the national air transportation system, reduce noise from the airport that is part of the system or provide an opportunity for enhanced competition between or among air carriers or foreign air carriers.

The County has submitted and received approval from the FAA to impose and use PFC revenues for capital projects, including financing costs, totaling approximately $811.5 million, in 7 separate PFC applications since 1993. The current PFC collection level is $4.50, and the PFC Charge Expiration Date for PFC collections is currently estimated to be November 1, 2034, based on estimates of future enplaned passengers. In FY 2023, the County received $25.7 million in PFC collections and interest. Through March 31, 2024, the County has received a total of $561.1 million in PFC collections and interest since January 1993. Since FY 2014, the County has used $199.7 million in PFC revenue for debt service payments on the Series 2008 Subordinate Bonds, the Series 2009 Subordinate Bonds, the Series 2016 Subordinate Bonds, and the Series 2018 Subordinate Bonds. For purposes of the financial analysis herein, the current $4.50 collection level is assumed through the Projection Period.

The County is in the process of developing a new PFC application for FAA approval for impose and use authority of $73,234,444 of PFC revenue associated with the pedestrian walkway project. The County proposes to use approximately $14.9 million in PFC revenue on a pay-go basis, as well as to pay principal and interest of approximately $59.5 million on a proposed TIFIA Loan for the project. Upon approval of the new application, the estimated expiration date for PFC collections is July 1, 2039.

3.5.4 CUSTOMER FACILITY CHARGE REVENUE

California law permits airports to collect CFCs at a level not to exceed $10 per car rental transaction or, under an "alternative CFC," a maximum level of $9.00 per day, up to a maximum of five days per rental transaction. Effective May 1, 2019, the County implemented a CFC of $10 per rental car transaction at SMF while initiating discussions with rental car companies regarding the potential development of a ConRAC. In October 2022, The County Board of Supervisors approved the transition to an "alternative CFC," authorizing the collection of $8.00 per day for up to 5 days per rental transaction. This transition went into effect in March 2023.

CFC revenues are excluded from the definition of Revenues under the Indenture, meaning they are not pledged to the Department's Senior Obligations and Subordinate Obligations. The Department may use CFC revenues on a pay-as-you-go basis for capital costs of future rental car facilities, 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.

CFC revenues have previously been used to fund initial planning and design phases of the proposed ConRAC facility at the Airport. The County intends to finance construction of the ConRAC project in its entirety with CFC revenues, without recourse to general Airport revenues.

3.5.5 IIJA FUNDING

The IIJA was signed into law in November 2021 and includes funding for infrastructure, including $15 billion for airport-related projects. IIJA funding is currently authorized for allocation by the FAA from federal fiscal year (FFY) 2022 through FFY 2026 and is distributed through a combination of formula-based funding (Airport Infrastructure Grants [AIG]) and discretionary grants (Airport Terminal Program [ATP] Grants). IIJA funding can be used for airport-related projects as defined under the existing AIP and PFC criteria, and include projects like runways, taxiways, safety and sustainability projects, terminals, airport-transit connections, and roadway projects.

Through FY 2024, the County has received AIG allocations of approximately $32.2 million and is estimated to be allocated an additional $28.0 million through FY 2026. In FY 2023, the County was awarded an ATP discretionary grant of $11.7 million for the pedestrian walkway project. In total, the County anticipates using approximately $74.9 million in IIJA funds on the Capital Program.

3.5.6 GENERAL AIRPORT REVENUE BONDS

The plan of finance for the Capital Program anticipates a total of approximately $700.5 million of project costs to be funded using proceeds from general airport revenue bonds (GARBs) issued during the Projection Period. This includes the issuance of the Series 2024 Bonds and future Senior Lien issuance, assumed to be the Series 2025 Bonds. The Series 2024 Bonds are expected to be issued to fund approximately $466.0 million of Series 2024 Project costs, with an additional $234.5 million in future GARB issuances. The associated debt service included within this analysis for this future issuance is subject to change based on market conditions. Debt service associated with potential future issuance of CFC-backed bonds to fund the ConRAC project is not included in the financial analysis.

3.5.7 TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT LOAN

TIFIA was originally authorized under the Transportation Equity Act for the 21st Century. The TIFIA program provides federal credit assistance for eligible infrastructure investment projects. The program's goal is to leverage federal funds by attracting substantial private and other non-federal co-investment in critical improvements to the nation's surface transportation system.

As a part of the IIJA, TIFIA eligibility was expanded to airport projects under the same eligibility requirements as those of the PFC program. TIFIA loans are low-interest and can be used to finance up to 33 percent of eligible project costs. The interest rate on TIFIA loans is set based on the 30-year Treasury rate at the time of the closing of each loan. The County anticipates applying for a TIFIA loan under the Rural Project Initiative (RPI). If determined qualified for the RPI, the County will be eligible to receive a loan up to 49 percent of the project’s eligible costs at a fixed interest rate equal to one half of the 30-Year Treasury rate.

The County’s capital plan of finance anticipates receiving up to two separate TIFIA loans, with the first loan funding approximately $38.8 million of project costs. The first loan is anticipated to close in January 2025. The second TIFIA loan, funding approximately $65.9 million, is planned to occur concurrently with issuance of future (Series 2025) bonds.[10] The TIFIA loans will be secured by Net Revenues, however the County intends to use PFC revenues to pay principal and interest on the loans.

[10] The second TIFIA loan may instead be issued as Subordinate Revenue Bonds, with debt service to be paid by PFC revenues.

4. DEMOGRAPHIC AND ECONOMIC ANALYSIS

The demand for air transportation at an airport is, to a large degree, dependent upon the demographic and economic characteristics of the Air Trade Area. This relationship is particularly true for O&D passenger traffic, which has historically accounted for approximately 95 percent of passenger traffic at SMF.[11] For purposes of this Report, the Air Trade Area, as defined in Section 2.2, encompasses seven counties[12] and all four Airports that comprise the Airport System (SMF, SAC, MHR, and F72) are within the Air Trade Area's geographic boundaries. This chapter presents data indicating that the Air Trade Area has an economic base capable of supporting increased demand for air travel during the Projection Period.

4.1 DEMOGRAPHIC ANALYSIS

4.1.1 POPULATION

There is typically a positive correlation between population growth in a local area and air travel demand. **Table 4-1** presents the historical population for the Air Trade Area, California, and the United States. As shown, the population in the Air Trade Area increased from approximately 2.7 million in calendar year (CY) 2002 to approximately 3.1 million in CY 2012 and to approximately 3.4 million in CY 2022. As also shown, population growth in the Air Trade Area between CY 2002 and CY 2022 (CAGR of 1.2 percent) was 0.6 percentage points above California's population growth and 0.5 percentage points above the nation's population growth during this period.

TABLE 4-1 HISTORICAL AND PROJECTED POPULATION

					COMPOUND ANNUAL GROWTH RATE			
	HISTORICAL			PROJECTED	HISTORICAL			PROJECTED
AREA	CY 2002	CY 2012	CY 2022[1]	CY 2030	CY 2002 – CY 2012	CY 2012 – CY 2022	CY 2002 – CY 2022	CY 2022 – CY 2030
Air Trade Area	2,676,811	3,065,412	3,394,474	3,658,957	1.4%	1.0%	1.2%	0.9%
California	34,871,843	37,974,434	39,040,616	40,982,028	0.9%	0.3%	0.6%	0.6%
United States	287,625,148	314,371,456	333,271,411	350,794,062	0.9%	0.6%	0.7%	0.6%

NOTES:
CY – Calendar Year
1 CY 2022 is the last year of historical data in the Woods & Poole Economics, Inc. (Woods & Poole) database and is the basis for Woods & Poole's future projections. Therefore, it is the last year of historical data displayed in this table. CY 2023 data may be available from other sources.
SOURCE: Woods & Poole Economics, Inc., *2024 Complete Economic and Demographic Data Source (CEDDS)*, July 2024.

The Air Trade Area population increased from net migration into the area prior to the COVID-19 pandemic and while the arrival of the COVID-19 pandemic initially paused new arrivals, data shows that as remote work became more common and more affordable housing in the Air Trade Area became more attractive to people living in cities with higher costs of living, including those in the San Francisco Bay Area, the net migration into the Air Trade Area

[11] While included in the SCDA, SAC and F72 have no commercial services and MHR has cargo but no commercial passenger service.

[12] The seven counties that make up the Air Trade Area are El Dorado, Placer, Sacramento, San Joaquin, Sutter, Yolo, and Yuba counties.

increased.[13] In CY 2022, only five counties in the state of California had growth above one percent, and two of them are in the Air Trade Area: Sutter County (1.9 percent) and San Joaquin (1.0 percent).[14]

Table 4-1 also presents population projections from Woods & Poole[15] for the Air Trade Area, California, and the United States for CY 2030. Population in the Air Trade Area is expected to increase at a CAGR of 1.0 percent between CY 2022 and CY 2030, from approximately 3.4 million in CY 2022 to approximately 3.7 million in CY 2030. Projected population growth for the Air Trade Area is expected to be higher than that experienced by California (CAGR of 0.7 percent), and the nation (CAGR of 0.7 percent) during this period. Between CY 2022 and CY 2030, Air Trade Area population is expected to grow fastest in Placer County and San Joaquin County (CAGRs of 1.5 percent and 1.0 percent, respectively).

4.1.2 AGE DISTRIBUTION AND EDUCATION

Demand for airline travel varies by age group, and the age distribution of the Air Trade Area population can influence O&D passenger activity at an airport. According to Consumer Expenditure Survey data from the US Department of Labor, Bureau of Labor Statistics, in the United States, persons between the ages of 35 and 54 account for 44.5 percent of expenditures on airfares. [16,17]

Table 4-2 shows that, in 2022, residents in the Air Trade Area aged 35 to 54 accounted for 25.9 percent of the population. Thus, the age group that generates the most expenditures on airfares is represented in the Air Trade Area at a slightly lower rate than the population in California (26.3 percent) and slightly higher rate than population in the United States (25.2 percent).

According to Consumer Expenditure Survey data,[18] people with a bachelor's or associate's degree generate a high percentage of expenditures on airline travel. Data indicate that 83.4 percent of airfares are purchased by college graduates, while 8.3 percent are purchased by consumers who have had some college, and 8.3 percent are purchased by consumers who never attended college. As shown in Table 4-2, 41.0 percent of the Air Trade Area's population over the age of 25 has a post-secondary degree (associate, bachelor's, master's, or doctorate)—a lower percentage than the population of California (44.0 percent) and the United States (43.0 percent). In addition to having an educated population, the Air Trade Area is also home to more than 13 colleges and universities, including community colleges and technical schools. These educational institutions generate demand for airline service through academic meetings and conferences, visiting professorships, study abroad programs, and individual student and faculty travel.

[13] Rezal, Adriana, San Francisco Chronicle, "This California region is growing fastest, new data shows. Here's where the people are coming from" https://www.sfchronicle.com/california/article/migration-population-sacramento-census-17865273.php (accessed June 7, 2024).

[14] State of California Governor Press Release, "California's Population is Increasing", https://www.gov.ca.gov/2024/04/30/californias-population-is-increasing/ (accessed June 7, 2024).

[15] Woods & Poole is an independent firm specializing in long-term county demographic and economic data projections.

[16] Airfares data includes other types of transportation that charge fares.

[17] US Department of Labor, Bureau of Labor Statistics," Consumer Expenditure Survey 2022," https://www.bls.gov/cex/tables.htm (accessed June 26, 2024).

[18] Ibid.

TABLE 4-2 AGE DISTRIBUTION AND EDUCATIONAL ATTAINMENT (2022)

AGE DISTRIBUTION	AIR TRADE AREA	CALIFORNIA	UNITED STATES
Total Population			
By Age Group			
19 and Under	25.8%	24.4%	24.3%
20 to 24 Years	6.8%	6.8%	6.8%
25 to 34 Years	13.9%	14.7%	13.7%
35 to 44 Years	13.9%	13.8%	13.1%
45 to 54 Years	12.0%	12.5%	12.1%
55 to 64 Years	11.8%	12.0%	12.6%
65 and Above	15.9%	15.8%	17.3%
Total[1]	**100%**	**100%**	**100%**
Median Age	37.0	37.3	38.4
EDUCATIONAL ATTAINMENT	AIR TRADE AREA	CALIFORNIA	UNITED STATES
Population 25 Years and Over			
By Highest Level Achieved			
Less than 9th Grade	6.7%	8.7%	4.7%
9th–12th Grade, No Diploma	5.9%	6.9%	6.1%
High School Graduate (includes GED/Alternative Credential)	22.6%	20.4%	26.4%
Some College, No Degree	23.6%	20.1%	19.7%
Post-Secondary Degree	**41.2%**	**43.9%**	**43.0%**
Associate degree	*9.8%*	*8.0%*	*8.7%*
Bachelor's Degree	*20.2%*	*22.1%*	*20.9%*
Master's Degree or Doctorate	*11.2%*	*13.8%*	*13.4%*
Total[1]	**100.0%**	**100.0%**	**100.0%**

NOTES:
GED – General Education Development
CY 2022 is the most recent year of historical data available for these variables.
1 Sums may not total to 100.0 percent due to rounding.
SOURCES: Woods & Poole Economics, Inc., *2024 Complete Economic and Demographic Data Source (CEDDS)*, July 2024; US Census Bureau, *American Community Survey (ACS)*, May 2024.

4.1.3 PER CAPITA PERSONAL INCOME

Table 4-3 presents historical per capita personal income (PCPI) for the Air Trade Area, California, and the United States between CY 2012 and CY 2022, as expressed in 2017 dollars. As shown, PCPI for the Air Trade Area was markedly lower than the equivalent measure for California each year between CY 2012 and CY 2022, and closer to but still lower than the equivalent measure for the nation over the same period. California had the 6th highest PCPI of the 50 states and the District of Columbia in CY 2022, but PCPI levels vary widely across the state of California, with PCPI being highest in coastal areas, which can explain the Air Trade Area's lower PCPI relative to the state as a whole. As also shown, PCPI for the Air Trade Area increased at a CAGR of 2.3 percent between CY 2012 and CY 2022, slower than the 2.8 percent CAGR for California and greater than the 1.9 percent CAGR experienced by the nation over this same period.

Table 4-3 also presents projections of PCPI for CY 2030. According to data from Woods and Poole, PCPI for the Air Trade Area is projected to increase from $54,313 in CY 2022 to $62,156 in CY 2030. This increase represents a CAGR of 1.7 percent, the same as projected for California and lower than the nation during the same period.

An additional indicator of the market potential for air transportation demand is the percentage of households in higher income categories. As income increases, air transportation becomes more affordable and, therefore, is generally used more frequently. Table 4-3 also presents percentages of households in selected household income categories for CY 2022 as expressed in 2017 inflation-adjusted dollars. As presented, 41.7 percent of households in the Air Trade Area had a household income of $75,000 or more in CY 2022, which is less than the percentage of households in these income categories for California (44.8 percent) but greater than the nation (37.0 percent).

TABLE 4-3 PER CAPITA PERSONAL INCOME

(Per Capita Personal Income in 2017 Dollars)

	PER CAPITA PERSONAL INCOME		
YEAR	AIR TRADE AREA	CALIFORNIA	UNITED STATES
Historical			
CY 2012	$43,273	$50,552	$46,791
CY 2013	$43,781	$50,187	$46,352
CY 2014	$45,037	$52,114	$47,656
CY 2015	$47,465	$55,306	$49,391
CY 2016	$48,346	$56,836	$49,825
CY 2017	$48,842	$58,215	$51,005
CY 2018	$49,692	$59,763	$52,243
CY 2019	$51,451	$61,998	$53,664
CY 2020	$55,950	$66,955	$56,530
CY 2021	$58,079	$70,630	$59,107
CY 2022[1]	$54,313	$66,366	$56,234
Projected			
CY 2030	$62,156	$75,894	$64,732
Compound Annual Growth Rate			
CY 2012 – CY 2022	2.3%	2.8%	1.9%
CY 2022 – CY 2030	1.7%	1.7%	1.8%
PERCENTAGE OF HOUSEHOLDS IN INCOME CATEGORIES (CY 2022)			
INCOME CATEGORY (IN 2017 DOLLARS)	AIR TRADE AREA	CALIFORNIA	UNITED STATES
Less than $30,000	23.3%	22.9%	26.3%
$30,000 – $44,999	12.5%	11.6%	13.2%
$45,000 – $74,999	22.5%	20.7%	23.5%
$75,000 – $99,999	15.1%	14.1%	13.8%
$100,000 – $199,999	22.0%	23.3%	18.4%
$200,000 or More	4.6%	7.4%	4.7%

NOTE:
CY – Calendar Year
1 CY 2022 is the last year of historical data in the Woods & Poole Economics, Inc. (Woods & Poole) database and is the basis for Woods & Poole's future projections. Therefore, it is the last year of historical data displayed in this table. CY 2023 data may be available from other sources.
SOURCE: Woods & Poole Economics, Inc., *2024 Complete Economic and Demographic Data Source (CEDDS)*, July 2024.

4.2 ECONOMIC ANALYSIS

4.2.1 GROSS DOMESTIC PRODUCT

Gross domestic product (GDP) for the United States and its state and local equivalent, gross regional product (GRP), are measures of the market value of all final goods and services produced within a particular area for a specific time period. These indicators are one of the broadest measures of the economic health of a particular area and, consequently, the area's potential air travel demand.

Table 4-4 presents historical GRP/GDP for the Air Trade Area, California, and the United States between CY 2012 and CY 2022, as expressed in 2017 dollars. As shown, despite the impact of the COVID-19 pandemic, Air Trade Area GRP increased from approximately $139,283 million in CY 2012 to approximately $190,274 million in CY 2022, a CAGR of 3.2 percent. In comparison, the GRP for California increased at a 3.3 percent CAGR over the same period, while the nation's equivalent measure, GDP, increased at a 2.5 percent CAGR.

TABLE 4-4 GROSS REGIONAL/DOMESTIC PRODUCT

(In 2017 Dollars, Amounts in Millions)

YEAR	AIR TRADE AREA (GRP)	AIR TRADE AREA YOY GROWTH	CALIFORNIA (GRP)	CALIFORNIA YOY GROWTH	UNITED STATES (GDP)	UNITED STATES YOY GROWTH
Historical						
CY 2012	$139,283	*0.8%*	$2,235,277	*2.5%*	$17,074,008	*2.3%*
CY 2013	$144,809	*4.0%*	$2,318,194	*3.7%*	$17,466,806	*2.3%*
CY 2014	$148,655	*2.7%*	$2,404,512	*3.7%*	$17,953,808	*2.8%*
CY 2015	$157,493	*5.9%*	$2,542,221	*5.7%*	$18,596,359	*3.6%*
CY 2016	$160,767	*2.1%*	$2,614,499	*2.8%*	$18,910,750	*1.7%*
CY 2017	$165,255	*2.8%*	$2,728,743	*4.4%*	$19,368,509	*2.4%*
CY 2018	$172,352	*4.3%*	$2,839,085	*4.0%*	$19,999,274	*3.3%*
CY 2019	$179,135	*3.9%*	$2,939,432	*3.5%*	$20,529,773	*2.7%*
CY 2020	$178,489	*-0.4%*	$2,886,389	*-1.8%*	$19,998,314	*-2.6%*
CY 2021	$188,472	*5.6%*	$3,094,688	*7.2%*	$21,264,626	*6.3%*
CY 2022[1]	$190,274	*1.0%*	$3,098,048	*0.1%*	$21,788,014	*2.5%*
Projected						
CY 2030	$223,284	*1.8%*	$3,754,635	*2.0%*	$25,999,436	*1.9%*
Compound Annual Growth Rate (2012-2022)	3.2%	n/a	3.3%	n/a	2.5%	n/a
Compound Annual Growth Rate (2022-2030)	2.0%	n/a	2.4%	n/a	2.2%	n/a

NOTES:
CY – Calendar Year
GRP – Gross Regional Product
GDP – Gross Domestic Product
1 CY 2022 is the last year of historical data in the Woods & Poole Economics, Inc. (Woods & Poole) database and is the basis for Woods & Poole's future projections. Therefore, it is the last year of historical data displayed in this table. CY 2023 data may be available from other sources.
SOURCE: Woods & Poole Economics, Inc., *2024 Complete Economic and Demographic Data Source (CEDDS)*, July 2024.

Table 4-4 also presents projections of GRP/GDP for CY 2030. Woods & Poole projects GRP for the Air Trade Area to increase from approximately $190,274 million in CY 2022 to approximately $223,284 million in CY 2030, reflecting a CAGR of 2.0 percent. Projected GRP growth in the Air Trade Area is expected to be lower than that of the nation and California (2.2 percent and 2.4 percent, respectively).

4.2.2 LABOR FORCE AND UNEMPLOYMENT TRENDS

Table 4-5 presents the recent labor force and unemployment trends for the Air Trade Area, California, and the United States. As shown, the Air Trade Area's civilian labor force increased from approximately 1.4 million workers in CY 2013 to approximately 1.6 million workers in CY 2023. This increase represents a CAGR of approximately 0.9 percent in the Air Trade Area's labor force during this period, compared to an approximately 0.4 percent increase for California and an approximately 0.7 percent increase for the United States. The Air Trade Area's civilian labor force remained stable (0.2 percent annual growth) in CY 2020 despite the COVID-19 pandemic. Shifts in labor force levels between CY 2019 and CY 2020 were more significant in California and nationwide, as the California labor force decreased 2.2 percent and the US labor force decreased 1.7 percent, due in part to workers leaving the labor force because of childcare duties, fear of getting COVID-19 in the workplace, and other reasons related to the COVID-19 pandemic.[19] When COVID vaccines became widely available in March 2021, more contact-sensitive (restaurants, bars, shopping malls, salons) jobs were added and workers who had temporarily left the labor force returned. The Air Trade Area's civilian labor force continued to grow even with the impact of the pandemic for the period CY 2019 to CY 2023. California's labor force has not yet (as of CY 2023) recovered to pre-pandemic (CY 2019) levels, while the nation exceeded CY 2019 labor force levels by CY 2023.

Table 4-5 also shows that average annual unemployment rates[20] for the Air Trade Area were equal to or higher than the rates for California from CY 2013 to CY 2023, except for CY 2020 and CY 2021, when rates were, like the labor force described above, less negatively impacted by the COVID-19 pandemic in CY 2020 and CY 2021 than California and the nation. Unemployment rates for all three areas trended downward from CY 2013 until the start of the COVID-19 pandemic. In CY 2020, the unemployment rate of the Air Trade Area, California and the nation increased by more than four percentage points due to the pandemic, but all rates declined in CY 2021 as COVID-19 vaccines became widely available and business operations were restored. Unemployment rates continued to decline in CY 2022, reaching close to or below pre-pandemic CY 2019 levels, before rebounding slightly in CY 2023. In July 2024 (latest data available), the Air Trade Area's seasonally adjusted unemployment rate was 5.3 percent, higher than California's seasonally adjusted unemployment rate (5.2 percent) and the national seasonally adjusted unemployment rate (4.3 percent). Historically, unemployment has been higher in California than the nation, which has been attributed to a variety of factors including California's workforce being relatively younger (younger workers tend to have higher rates of unemployment) and more likely to be employed in seasonal (agriculture, hospitality, and retail) and volatile (technology, real estate, and entertainment) industries.[21,22]

---

19 Harvard Business Review, "The Great Resignation Didn't Start with the Pandemic," https://hbr.org/2022/03/the-great-resignation-didnt-start-with-the-pandemic (accessed May 29, 2024).

20 Average annual unemployment rates are non-seasonally adjusted.

21 Lee, Kurtis, "California's Economy Has Been Pinched by Unemployment," New York Times, https://www.nytimes.com/2024/03/11/us/california-economy-unemployment.html (accessed July 2, 2024).

22 Lansner, Jonathas, "In February, the state reached an unemployment rate of 5.3 percent, the highest in the country," Governing, https://www.governing.com/workforce/californias-unemployment-rate-is-the-nations highest#:~:text=California%20has%20heavy%20concentrations%20of,10%20list%20to%20be%20envied. (accessed July 31, 2024).

TABLE 4-5 CIVILIAN LABOR FORCE AND UNEMPLOYMENT RATES

(Civilian Labor Force in Thousands)

CIVILIAN LABOR FORCE			
YEAR	AIR TRADE AREA	CALIFORNIA	UNITED STATES
CY 2013	1,428	18,568	155,389
CY 2014	1,426	18,677	155,922
CY 2015	1,440	18,825	157,130
CY 2016	1,460	19,014	159,187
CY 2017	1,471	19,184	160,320
CY 2018	1,487	19,289	162,075
CY 2019	1,501	19,386	163,539
CY 2020	1,505	18,955	160,742
CY 2021	1,518	18,961	161,204
CY 2022	1,531	19,169	164,287
CY 2023	1,555	19,309	167,116
Compound Annual Growth Rate (2013-2023)	0.9%	0.4%	0.7%
UNEMPLOYMENT RATES			
YEAR	AIR TRADE AREA	CALIFORNIA	UNITED STATES
CY 2013	9.9%	9.0%	7.4%
CY 2014	8.2%	7.6%	6.2%
CY 2015	6.8%	6.2%	5.3%
CY 2016	6.1%	5.5%	4.9%
CY 2017	5.3%	4.8%	4.4%
CY 2018	4.5%	4.3%	3.9%
CY 2019	4.3%	4.1%	3.7%
CY 2020	9.6%	10.2%	8.1%
CY 2021	7.0%	7.3%	5.3%
CY 2022	4.3%	4.3%	3.6%
CY 2023	4.9%	4.7%	3.6%
July 2024	5.3%	5.2%	4.3%

NOTES:
CY – Calendar Year
n/a – not available
Monthly unemployment data is seasonally adjusted and preliminary.
SOURCE: US Department of Labor, Bureau of Labor Statistics, September 2024.

4.2.3 BUSINESS CLIMATE

The Air Trade Area has a compelling business environment marked by a diverse economy, spanning industries such as government services, healthcare, technology, and education; an environment that is productive and profitable. The Air Trade Area also enjoys access to a large and diverse talent pool, robust venture capital investment, and a strong entrepreneurial ecosystem.

Although the State of California and the Air Trade Area impose higher tax rates,[23] regulatory standards, and operational costs than the national average, the state and the Air Trade Area nevertheless still provide a business-friendly climate that supports sustainable development and innovation. California was ranked as the number one state for access to capital and technology & innovation by the 2023 CNBC America's Top States for Business study, indicating that the state is attractive to business.[24] The region's taxation landscape is more complex, with California ranking 49th in the Tax Foundation's 2023 State Business Tax Climate Index, indicating a challenging tax environment compared to other states.

The Air Trade Area's location in Northern California offers logistical advantages, fostering trade and commerce. The Air Trade Area is near Oakland and its major port, which, in turn, facilitates international trade in the Air Trade Area. The Air Trade Area has its own inland port in West Sacramento, a non-container port specializing in the movement of agricultural, industrial, and heavy equipment.

The Air Trade Area also benefits from its proximity to San Francisco and lower relative business and living costs by comparison. While a pattern of in-migration to Sacramento from the Bay Area pre-dates the pandemic, the flexibility of remote work, which increased during the pandemic, has made it easier for Bay Area residents in search of affordable housing and lower cost of living to move to Sacramento while keeping Bay Area jobs.[25] After measuring home affordability, healthy employment, and population growth, *Forbes* named Sacramento the best place to live in California in 2024 for the second year in a row.[26]

As the capital of the fifth largest economy in the world,[27] the City of Sacramento fuels business growth. Many types of professional and business services companies and organizations, like law practices and lobbying firms, are located in the Air Trade Area due to Sacramento being the location of state legislatures and courts. State capitals also provide a good base of operation for federal field office and businesses like the publicly traded community bank, Five Star Bank, which caters to small and medium businesses, are headquartered in the Air Trade Area, due in part to the city of Sacramento's state capital status. The presence of the state capital has also fueled industries like agri-food tech, life sciences, future mobility, fintech, semiconductors, tech, startups, and advanced manufacturing in the Air Trade Area.

The Greater Sacramento Area has a growing tech industry, with efforts from local universities such as the University of California - Davis (UC-Davis) and California State University, Sacramento (Sacramento State) to promote innovation through research and development partnerships. Sacramento State, for example, is a hub for education and has contributed to the local talent pool, particularly in fields related to government and public policy due to the City's status as the state capital.

---

[23] California ranks 49th in the Tax Foundation's 2023 State Business Tax Climate Index.

[24] CNBC, "America's Top States for Business 2023: The full rankings," https://www.cnbc.com/2023/07/11/americas-top-states-for-business-2023-the-full-rankings.html (accessed May 24, 2024).

[25] Rezal, Adriana, The San Francisco Chronicle, "This California region is growing fastest, new data shows. Here's where the people are coming from," https://www.sfchronicle.com/california/article/migration-population-sacramento-census-17865273.php (accessed July 31, 2024).

[26] Forbes, "Best Places to Live in California," https://www.forbes.com/advisor/mortgages/best-places-to-live-in-california/ (accessed August 1, 2024).

[27] Governor Gavin Newsom Press Release, "California's Strong Economic Week," https://www.gov.ca.gov/2024/04/19/californias-strong-economic-week/#:~:text=California%20remains%20the%205th%20largest,Analysis.%20California's%20per%20capita%20GDP (accessed August 13, 2024).

The City of Sacramento has shown commitment to economic development through initiatives such as the Sacramento Urban Technology Lab, which aims to make the city a "living laboratory" for entrepreneurs, advanced technology businesses, and academic institutions to test, develop, and scale their ideas, products, and services.[28] The city of Sacramento is also home to several business incubators and accelerators, such as the UC Davis Venture Catalyst and the Sacramento Entrepreneurship Academy, which support the city's burgeoning startup ecosystem.

According to Bloomberg, between 2019 and 2021, 35.9 percent of venture capital (VC) funding in the United States was in the nearby San Francisco and San Jose metropolitan areas.[29] VC investment in the Air Trade Area itself has been strong, with a notable focus on health care, agriculture technology, and clean energy startups, reflecting California's broader emphasis on sustainability and health technology. The Air Trade Area has attracted substantial investments, which have fueled growth and innovation in these sectors.

In terms of trade, Sacramento's businesses engage in both national and international markets. The city has a significant number of companies that engage in or support international business, driven by California's overall economic strategies that emphasize global connectivity. Top international employers in the greater Sacramento region include Siemens (a technology company headquartered in Munich, Germany), which has more than 2,500 employees in the region.[30]

In 2024, California ranked first in the number of US companies listed in the Fortune 500 by state. While none of the 57 Fortune 500 companies headquartered in California were headquartered in the Air Trade Area, many Fortune 500 companies do business in and employ people in the Air Trade Area, including Intel, a semiconductors and other electronic component company (ranked 79th).[31] Also headquartered in the Air Trade Area is Kaiser Permanente, one of the largest healthcare companies in the world and the fifth largest employer in the Air Trade Area.

Table 4-6 presents the major employers in the Air Trade Area, as measured by the number of local employees. As shown, there are 11 private or public entities in the Air Trade Area with 5,000 or more employees. Unsurprisingly, the largest employer in the area is the state of California, with over 128,000 employees. Other governmental employers and healthcare employers are predominant in the Air Trade Area.

---

[28] Industry Insider, "City to Ante Up $1M for Tech, Startups," https://insider.govtech.com/california/news/city-to-ante-up-1m-for-tech-startups.html (accessed June 26, 2024).

[29] Florida, Richard, "Where US Tech Investment Is Growing the Most," Bloomberg, https://www.bloomberg.com/news/articles/2023-12-07/san-francisco-bay-area-nyc-boston-dominate-vc-investment-in-us (accessed July 2, 2024).

[30] Greater Sacramento Economic Council, "International Business Success Stories," https://www.greatersacramento.com/business-climate/international-business/ (accessed June 26, 2024).

[31] Fortune, "2024 Fortune 500 Rankings," https://fortune.com/ranking/fortune500/ (accessed June 4, 2024).

TABLE 4-6 MAJOR EMPLOYERS IN THE AIR TRADE AREA (2023)

EMPLOYER	INDUSTRY	# OF LOCAL EMPLOYEES[1]
State of California	Government	128,825
UC Davis Health	Healthcare	16,075
Sacramento County	Government	13,252
Sutter Health	Healthcare	12,138
Kaiser Permanente	Healthcare	10,934
U.S. Government	Government	13,089
University of California Davis	University	10,766
Yolo County	Government	10,487
Dignity Health	Healthcare	7,000
Intel Corporation	Technology	6,000
Raley's	Retail	5,528
California State University, Sacramento (Sacramento State)	University	4,000
Cache Creek Casino Resort	Hospitality	2,000
El Dorado County	Government	1,929
Marshall Medical Center	Healthcare	1,498
Red Hawk Resort + Casino Hotel	Hospitality	1,200
Barton Health	Healthcare	867
Safeway	Retail	843

NOTE:
1 Employee data only available for Sacramento, Yolo and Dorado Counties. Some employee numbers are as of Calendar Year 2022.
SOURCES: Sacramento Business Journal, https://www.bizjournals.com/sacramento/subscriber-only/2023/06/02/employers--sacramento-county.html (accessed May 24, 2024); https://www.bizjournals.com/sacramento/subscriber-only/2023/06/02/employers--yolo-county.html (accessed May 24, 2024); https://www.bizjournals.com/sacramento/subscriber-only/2023/05/12/employers--el-dorado-county.html (accessed May 24, 2024).

4.2.4 EMPLOYMENT BY MAJOR INDUSTRIAL SECTOR

Sources of economic diversity in the region are discussed in this section by focusing on the following nonagricultural employment sectors, listed in order of their contribution to the Air Trade Area's employment base: government, education and health services, professional and business services, trade, leisure and hospitality, construction, financial, transportation/utilities, manufacturing, other services, and information.[32]

An analysis of nonagricultural employment trends by major industry sector is presented in **Table 4-7**, which compares the Air Trade Area's employment trends to those of California and the nation for CY 2013 and CY 2023. As shown, nonagricultural employment in the Air Trade Area increased from approximately 909,000 workers in CY 2013 to approximately 1.1 million workers in CY 2023. This increase represents a CAGR of approximately 2.1 percent during this period, a higher rate than California's and the nation's growth during the same period (1.6 percent and 1.4 percent, respectively).

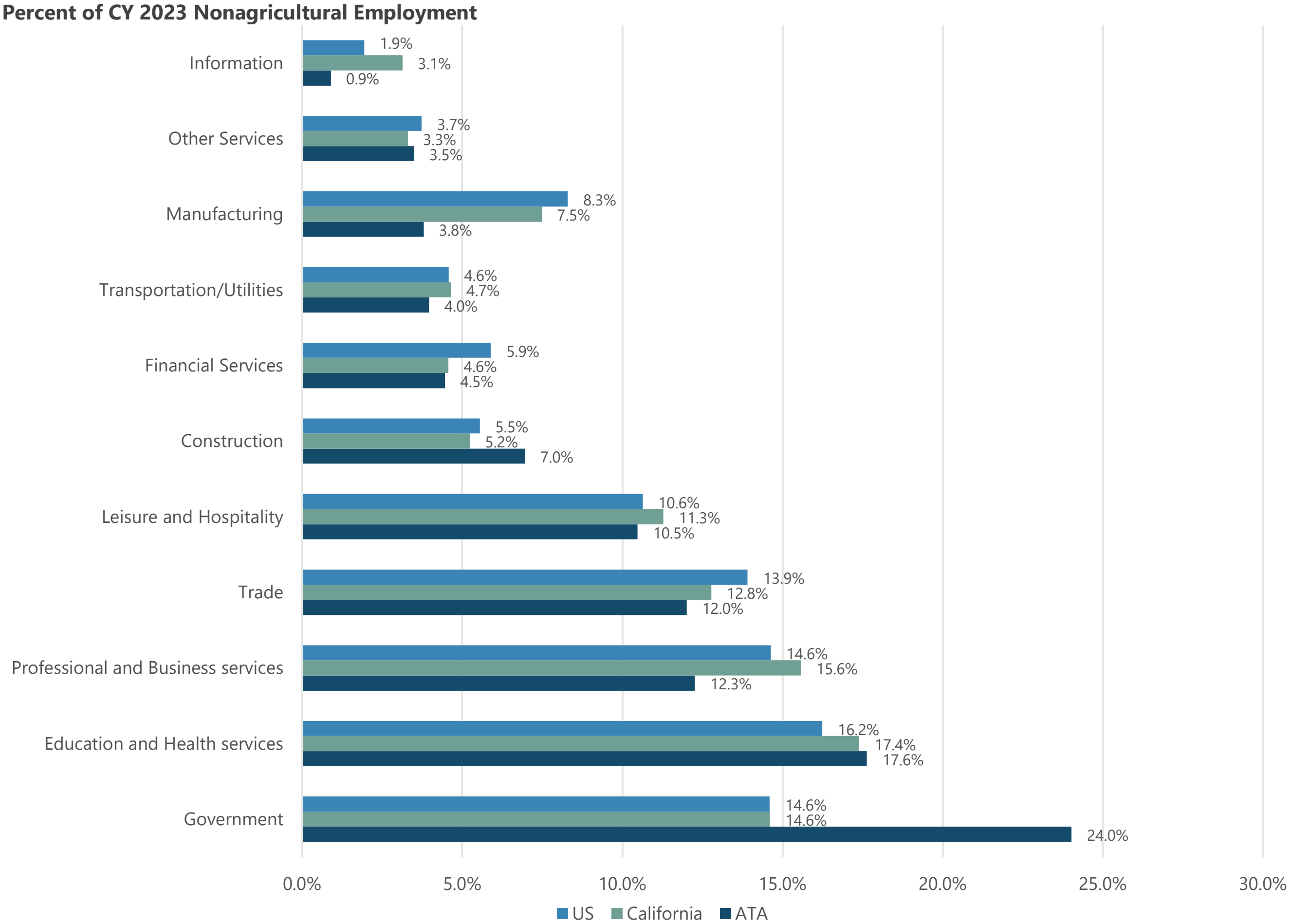
[32] The 11 industry sectors discussed in this section and displayed in Table 4-7 correspond to the 11 "supersectors" defined by the US Bureau of Labor Statistics' grouping by North American Industry Classification System code, with two exceptions. Due to low employment in the mining and logging supersector, it is included in the construction sector in this Report and the supersector "Trade, Transportation, and Utilities" is treated as two industry sectors in this Report, Trade and Transportation/Utilities, respectively.

TABLE 4-7 EMPLOYMENT TRENDS BY MAJOR INDUSTRY SECTOR

(Employment in Thousands)

SECTOR	AIR TRADE AREA			CALIFORNIA			UNITED STATES		
	CY 2013	CY 2023	CAGR CY 2013 – CY 2023	CY 2013	CY 2023	CAGR CY 2013 – CY 2023	CY 2013	CY 2023	CAGR CY 2013 – CY 2023
Government	233	270	1.5%	2,374	2,604	0.9%	21,853	22,782	0.4%
Education and Health services	139	198	3.7%	2,309	3,100	3.0%	21,086	25,342	1.9%
Professional and Business services	117	138	1.6%	2,348	2,775	1.7%	18,623	22,840	2.1%
Trade	125	135	0.8%	2,255	2,277	0.1%	20,697	21,706	0.5%
Leisure and Hospitality	93	118	2.4%	1,675	2,011	1.8%	14,254	16,593	1.5%
Construction	45	78	5.6%	666	933	3.4%	6,719	8,658	2.6%
Financial Services	52	50	-0.3%	783	814	0.4%	7,886	9,197	1.5%
Transportation/Utilities	24	45	6.3%	506	830	5.1%	5,038	7,141	3.5%
Manufacturing	36	43	1.6%	1,264	1,334	0.5%	12,020	12,940	0.7%
Other Services[1]	30	39	2.7%	516	588	1.3%	5,483	5,826	0.6%
Information[2]	15	10	-4.0%	454	559	2.1%	2,706	3,027	1.1%
Total	909	1,125	2.1%	15,151	17,825	1.6%	136,365	156,052	1.4%

Percent of CY 2023 Nonagricultural Employment



NOTES:
ATA – Air Trade Area; CY – Calendar Year; CAGR – Compound Annual Growth Rate
Numbers may not sum due to rounding.
Nonagricultural employment only.
1 The nonagricultural employment for the other services sector includes outsourcing from the manufacturing sector.
2 The information sector includes communications, publishing, motion picture and sound recording, and online services.
SOURCE: US Department of Labor, Bureau of Labor Statistics, May 2024.

As shown in Table 4-7, the workforce of the Air Trade Area is concentrated in government and education and health services industries in CY 2023, with over 40 percent of employment in those two sectors. The highest employment growth for the Air Trade Area between CY 2013 and CY 2023 occurred in the transportation and utilities sector. The education and health services and construction sectors also experienced strong growth in the Air Trade Area during the same period.

Changes in the Air Trade Area's nonagricultural employment sector makeup differed from the national trends that occurred between CY 2013 and CY 2023. The Air Trade Area saw significant shifts in employment share by sector between 2013 and 2023, as employment growth rates differed between the sectors. The government and trade sectors' share of total employment declined as the construction and education and health services sectors' share of total employment increased in the Air Trade Area. Construction and education & health services sectors grew at much faster rates annually (5.6 percent and 3.7 percent, respectively) than government (1.5 percent) and trade (0.8 percent). Most other sectors in the Air Trade Area grew at a similar pace to overall employment (2.1 percent annually). In the nation, changes in employment were less significant than the Air Trade Area, with only the construction and transportation and utilities sectors increasing by more than a percentage point above the average for total employment growth (1.4 percent). In the Air Trade Area, the information and financial services sectors had a decline in employment between CY 2013 and CY 2023. There were no equivalent losses in the nation. All sectors of employment, except for the information, financial services, and professional and business services sectors, experienced higher growth in the Air Trade Area than in the nation between CY 2013 and CY 2023.

4.2.4.1 GOVERNMENT

In CY 2023, the government sector accounted for approximately 270,000 employees in the Air Trade Area, the highest employment level among all sectors. The government sector accounted for 24.0 percent of total nonagricultural employment in CY 2023 in the Air Trade Area, compared to 14.6 percent in California and the nation.

Government employment in the Air Trade Area increased at a CAGR of 1.5 percent between CY 2013 and CY 2023, compared to slower 0.9 percent and 0.4 percent increases for California and the nation, respectively, over the same period.

The Air Trade Area has historically had an outsized portion of government employment due to Sacramento being the state capital of California, as well as the county seat of Sacramento County. Sacramento has the highest concentration of government jobs per capita in the state with more than 4,800 state government entities in the region.[33,34] Typical of state capitals, Federal agencies like the Internal Revenue Service, Department of Agriculture and Department of Veterans Affairs have field offices in Sacramento. While most government employees are working for the state, federal and county governments are also represented in the list of largest employers in the Air Trade Area (see Table 4-6). Additionally, areas with larger populations mean greater demand for firefighters, police officers, teachers, and other local government workers.

As the capital of the state of California, Sacramento maintains most of the functions of a capital city. The California State Capitol in Sacramento houses the chambers of the California State Legislature, which includes the Assembly and the Senate, and the office of the governor of California. The Supreme Court of California also has offices in Sacramento and the city is home to many state agencies.

---

[33] City of Sacramento, https://www.cityofsacramento.org/Living-Here/Jobs (accessed May 21, 2024).

[34] COE for Labor market research, "Sacramento Region Public Sector Workforce Needs Assessment," https://pathways2publicservice.org/wp-content/uploads/2019/09/Public-Sector-Workforce-Report.pdf (accessed June 27, 2024).

4.2.4.2 EDUCATION AND HEALTH SERVICES

In CY 2023, the education and health services sector accounted for approximately 198,000 employees in the Air Trade Area, the second-highest employment level among all sectors. The education and health services sector accounted for 17.6 percent of total nonagricultural employment in CY 2023 in the Air Trade Area, compared to 17.4 in the state and 16.2 percent in the nation.

Education and health services employment in the Air Trade Area increased at a CAGR of 3.7 percent between CY 2013 and CY 2023, compared to a 3.0 percent increase for the state and 1.9 percent increase for the nation over the same period. Major subsectors in the education and health services sector are higher education and health services, which are described in the following subsections.

Higher Education

Higher education is provided in the Air Trade Area by two large public universities, as well as several community colleges, and private universities. Over 192,000 students are enrolled in higher education throughout the Air Trade Area.[35] UC-Davis has more than 38,000 students enrolled in 107 undergraduate majors, 101 graduate majors and 6 professional schools. UC-Davis also has a 625-bed teaching hospital located on its campus that serves more than 30,000 patients annually. The university is a leading research institution, receiving $1 billion in research funding annually. Sacramento State has nearly 31,000 students and nearly 1,900 full and part time faculty; it is the 6th largest of the 23 colleges in the California State University system.

In addition to UC-Davis and Sacramento State, the Air Trade Area also contains seven community colleges, numerous vocational schools, professional schools, private schools, and local satellite campuses of colleges headquartered elsewhere in the nation.

Health Services

The health services industry plays a significant role in the Air Trade Area, and it will continue to become more significant as the Air Trade Area population ages. Four healthcare organizations are listed in Table 4-6 as largest employers in the Air Trade Area: UC Davis Health, Kaiser Permanente, Marshall Medical Center, and Barton Health.

Four large health systems — Dignity Health (formerly Mercy Healthcare Sacramento), Kaiser Permanente, Sutter Health, and UC Davis Health — dominate the Sacramento area health care market. Dignity Health is the fifth-largest hospital system in the nation and the largest not-for-profit hospital provider in California. Hospitals in Dignity Health system include Mercy General Hospital and Methodist Hospital of Sacramento. Kaiser Permanente has three medical centers in the Air Trade Area: Kaiser Permanente Roseville Medical Center, Kaiser Permanente Sacramento Medical Center, and Kaiser Permanente South Sacramento Medical Center, and ten medical offices. Sutter Health includes Sutter Medical Center, Sacramento, which includes Anderson Lucchetti Women's and Children's Center, Sutter Memorial Hospital and Sutter Center for Psychiatry. UC Davis Medical Center has consistently been ranked in the top 10 hospitals by US News and World Report. The hospital has the only Level I trauma center in Northern California and has a regional burn center and several other specialty centers. UC Davis Medical Center is also in the Top 20 for National Institute of Health funding.

Smaller hospitals but still major employers in the Air Trade Area (as shown in Table 4-6) are Marshall Medical Center and Barton Health. Marshall Medical Center includes the 111-bed Marshall Hospital and several primary and

[35] City of Sacramento, https://www.cityofsacramento.gov/city-manager/oied/business/grow-here/key-industries/post-secondary-education (accessed May 21, 2024).

specialty care clinics, including laboratories and diagnostic imaging centers. Also with 111 beds is Barton Memorial Hospital, which along with Marshall Medical Center is one of only two independent hospitals in the Sacramento region.

4.2.4.3 PROFESSIONAL AND BUSINESS SERVICES

In CY 2023, the professional and business services sector accounted for approximately 138,000 employees in the Air Trade Area, the third-highest employment level among all sectors. The professional and business services sector is less concentrated in the Air Trade Area than it is in California and the nation, accounting for 12.3 percent of total nonagricultural employment in CY 2023 in the Air Trade Area, compared to 15.6 and 14.6 percent in California and the nation respectively.

Professional and business services employment in the Air Trade Area increased at a CAGR of 1.6 percent between CY 2013 and CY 2023, compared to a 1.7 percent increase for California and a 2.1 percent increase for the nation over the same period.

Professional services providers, while large in number, primarily employ smaller numbers of employees per firm. Larger professional services providers with offices in the Air Trade Area include PricewaterhouseCoopers and Crowe. Clutch, a woman-owned business consulting firm, is moving into a 78,000 square foot building in Rancho Cordova and plans to hire more than 600 employees by 2027.[36]

State capitals tend to have a higher concentration of lawyers due to the presence of numerous state functions, such as the state's courts, legislature, and agencies. This necessitates a larger legal community to support these government activities. The largest Sacramento area law firms (located in Sacramento, Eldorado, Placer, and Yolo Counties) include Downey Brand LLP and Boutin Jones Inc., serving clients in businesses and litigations. Buchalter, a full-service business law firm, is expanding on Capitol Mall in downtown Sacramento.[37] Lobbying firms also often maintain their headquarters or offices in capital cities.

Also included in the business and professional services sector are scientific research and development services. Life sciences employers and businesses in the Air Trade Area include:[38]

- **Jackson Laboratory.** A leading independent, nonprofit biomedical research institution.
- **HealthLinkNow**. A telemedicine company that connects patients with health care professionals using technology.
- **NeuroVision Imaging.** A company developing a noninvasive, quick and inexpensive retinal imaging test for early Alzheimer's disease detection.
- **SynGen.** A company developing stem cell harvesting systems.

---

[36] Greater Sacramento Economic Council, "Clutch, A Woman-Owned Business, Unveils New Headquarters in Rancho Cordova," https://www.greatersacramento.com/clutch-a-woman-owned-business-unveils-new-headquarters-in-rancho-cordova/ (accessed May 24, 2024).

[37] Sacramento Business Journal, "Business law firm Buchalter expanding footprint on Capitol Mall in Downtown Sacramento," https://www.bizjournals.com/sacramento/news/2024/03/20/buchalter-law-firm-expanding-capitol-mall.html (accessed May 24, 2024).

[38] City of Sacramento, "Life Science and Health Care," https://www.cityofsacramento.gov/city-manager/oied/business/grow-here/key-industries/life-science-and-health-care (accessed May 22, 2024); Sacramento County Airport System, August 2024.

- **Gemini Bio.** A leading manufacturer and supplier of cell culture media, sera and other reagents to academic researchers and the biotech, cell and gene therapy and biopharma industries.
- **Penumbra.** A company that designs, develops, manufactures and markets cutting-edge medical devices and has 250,000+ sq. ft. of office, research and design space in the region.

Business Facilities ranked Sacramento #2 in the nation for life sciences growth.[39]

4.2.4.4 TRADE

In CY 2023, the trade sector accounted for approximately 135,000 employees in the Air Trade Area, the fourth-highest employment level among all sectors. The trade sector in the Air Trade Area accounted for 12.0 percent of total nonagricultural employment in CY 2023, compared to 12.8 percent in California and 13.9 percent in the nation.

Trade employment in the Air Trade Area increased at a CAGR of 0.8 percent between CY 2013 and CY 2023, compared to a 0.1 percent and 0.5 percent increase for California and the nation, respectively, over the same period.

One indicator of growth in the trade sector is retail sales, defined as all net sales (gross sales minus refunds and allowances for returns) for establishments engaged primarily in retail trade. **Table 4-8** presents total retail sales for the Air Trade Area, California, and the United States between CY 2012 and CY 2022. As shown in Table 4-8, between CY 2012 and CY 2022, total retail sales in the Air Trade Area increased at a CAGR of 4.1 percent, greater than both California's growth rate (3.4 percent) and the United States' growth rate (3.1 percent) during this period.

Table 4-8 also presents projections of total retail sales for CY 2030. According to data from Woods & Poole, total retail sales for the Air Trade Area are projected to increase from approximately $59,647 million in CY 2022 to approximately $68,938 million in CY 2030, reflecting a CAGR of 1.8 percent between CY 2022 and CY 2030. Growth in the Air Trade Area's total retail sales is projected to be faster than that of California and the nation between CY 2022 and CY 2030, which are projected to increase at a CAGR of 1.5 percent and 1.4 percent, respectively.

California was the nation's second-largest exporter of trade goods in CY 2023 with more than $179.7 billion of exports of trade goods, behind Texas ($444.6 billion) but well ahead of the next three largest state exporters of trade goods (Louisiana: $100.2 billion, New York: $97.8 billion, Illinois: $78.7 billion).[40] In CY 2023 the exports of trade goods accounted for 4.6 percent of California's GRP.[41]

---

[39] Greater Sacramento Economic Council, "Greater Sacramento Life Sciences Report," https://www.greatersacramento.com/life-sciences-report-2023/#:~:text=In%202023%2C%20Business%20Facilities%20ranked,production%2C%20distribution%2C%20and%20innovation. (accessed July 3, 2024).

[40] Statista, "Volume of U.S. exports of trade goods in 2023, by state, in million U.S. dollars," https://www.statista.com/statistics/258728/volume-of-us-exports-of-trade-goods-in-by-state/ (accessed May 23, 2024).

[41] Office of the United States Trade Representative, "California," https://ustr.gov/map/state-benefits/ca#:~:text=California%20was%20the%202nd,2023%20(latest%20data%20available) (accessed May 23, 2024).

TABLE 4-8 TOTAL RETAIL SALES

(In 2017 Dollars, Amounts in Millions)

YEAR	TOTAL RETAIL SALES: AIR TRADE AREA	AIR TRADE AREA YOY GROWTH	CALIFORNIA	CALIFORNIA YOY GROWTH	UNITED STATES	UNITED STATES YOY GROWTH
Historical						
CY 2012	$40,004	1.5%	$579,222	2.8%	$5,005,901	3.1%
CY 2013	$41,463	3.6%	$599,506	3.5%	$5,120,173	2.3%
CY 2014	$43,307	4.4%	$624,498	4.2%	$5,264,950	2.8%
CY 2015	$45,057	4.0%	$649,163	3.9%	$5,387,732	2.3%
CY 2016	$46,570	3.4%	$668,781	3.0%	$5,492,595	1.9%
CY 2017	$48,354	3.8%	$690,529	3.3%	$5,627,750	2.5%
CY 2018	$49,765	2.9%	$704,010	2.0%	$5,755,901	2.3%
CY 2019	$50,912	2.3%	$712,206	1.2%	$5,851,710	1.7%
CY 2020	$50,899	0.0%	$705,532	-0.9%	$5,826,739	-0.4%
CY 2021	$58,195	14.3%	$793,191	12.4%	$6,621,360	13.6%
CY 2022[1]	$59,647	2.5%	$806,157	1.6%	$6,775,082	2.3%
Projected						
CY 2030	$68,938	2.1%	$904,673	1.7%	$7,582,397	1.7%
Compound Annual Growth Rate						
CY 2012 – CY 2022	4.1%	n/a	3.4%	n/a	3.1%	n/a
CY 2022 – CY 2030	1.8%	n/a	1.5%	n/a	1.4%	n/a

NOTES:
CY – Calendar Year
1 CY 2022 is the last year of historical data in the Woods & Poole Economics, Inc. (Woods & Poole) database and is the basis for Woods & Poole's future projections. Therefore, it is the last year of historical data displayed in this table. CY 2023 data may be available from other sources.
SOURCE: Woods & Poole Economics, Inc., *2024 Complete Economic and Demographic Data Source (CEDDS)*, June 2024.

The Sacramento-Roseville-Folsom metropolitan statistical area (MSA) (made up of El Dorado, Placer, Sacramento, and Yolo Counties) benefits from the exports of trade goods in California. In CY 2022, the Sacramento-Roseville-Folsom MSA's export value was $5.7 billion.[42] It was the 58th largest metropolitan statistical area exporter in CY 2022. Computer and Electronic products were the top goods exported in CY 2022 ($2.5 billion in export value), followed by agricultural products ($1.5 billion in export value).[43] The Sacramento-Roseville-Folsom MSA had reached the CY 2022 annual export value of $5.7 billion by September 2023, representing a continuous increase in exports.[44]

Sacramento's economy includes robust technology, agriculture, and manufacturing sectors, contributing to a varied export portfolio. The Greater Sacramento Area benefits from its proximity to major ports like Oakland and San Francisco, facilitating the flow of goods and commodities for export. The technology sector plays a significant role, with numerous companies in the region driving exports of high-tech products and services. The growth of tech

42 OEC, "Port in United States Sacramento International Airport," https://oec.world/en/profile/subnational_usa_port/sacramento-intl-airport-ca (accessed May 23, 2024).

43 International Trade Administration, "Metropolitan Area Export Tool - Sacramento-Roseville-Folsom, CA ," https://www.trade.gov/data-visualization/metropolitan-area-export-tool (accessed May 23, 2024).

44 U.S. Census Bureau, "U.S. Exports by Metropolitan Area," https://www.census.gov/foreign-trade/statistics/state/metroq32023.pdf (accessed May 23, 2024).

startups and increased venture capital activity has further propelled Sacramento's role in California's export landscape. This trend aligns with the broader expansion of the state's economy and its position as a significant player in international trade.

4.2.4.5 LEISURE AND HOSPITALITY

In CY 2023, the leisure and hospitality sector accounted for approximately 118,000 employees in the Air Trade Area, the fifth-highest employment level among all sectors. The leisure and hospitality sector accounted for 10.5 percent of total nonagricultural employment in CY 2023 in the Air Trade Area, compared to 11.3 percent in California and 10.6 percent in the nation.

Leisure and hospitality employment in the Air Trade Area increased 2.4 percent between CY 2013 and CY 2023, compared to a 1.8 percent increase for California and a 1.5 percent increase for the nation over the same period.

The Air Trade Area has over 16,000 hotel rooms and more than 1,720 restaurants, according to Sacramento Convention & Visitors Bureau (dba Visit Sacramento). The growth of this industry is a significant driver of services-related employment and air travel demand at an airport. In support of leisure travel and conventions in the Air Trade Area, there are over 240 hotels in the Sacramento metropolitan area. In Sacramento County alone, visitors spent approximately $4.4 billion on tourism in CY 2023.[45] Primary leisure and hospitality–related attractions located in the Air Trade Area are the following:

Theaters and Performing Arts

The Greater Sacramento Area offers a vibrant performing arts scene, with the Golden 1 Center standing out as a major entertainment venue. Hosting NBA games, concerts, and other significant events, it draws over 1.5 million attendees annually. Sacramento Broadway produces the Broadway at Music Circus series and presents the Broadway On Tour series in the region at the SAFE Credit Union Performing Arts Center and the UC Davis Health Pavilion.

Zoos and Museums

The Sacramento Zoo, located in William Land Park, is a popular family destination home to over 120 species and 500 animals. It focuses on education and conservation efforts. The California State Railroad Museum in Old Sacramento showcases the history of railroads in California and is one of the largest railroad museums in North America. The Crocker Art Museum houses an extensive collection of California art, European drawings, and international ceramics. Additionally, the Museum of Science and Curiosity offers interactive exhibits and educational programs.

Historic Sites

The Old Sacramento Historic District, a 28-acre National Historic Landmark District and State Historic Park located downtown along the Sacramento River, features historic buildings, museums, shops, and restaurants and streetscape representative of Sacramento's Gold Rush era . The California State Capitol Museum, located inside the state capitol building, provides tours and exhibits about California's political history and architecture. Sutter's Fort State Historic Park offers insights into the life of early California settlers and the Gold Rush period.

Natural Parks and Outdoor Activities

The American River Parkway, a 23-mile stretch of parkland along the American River, offers recreational activities such as biking, hiking, fishing, and picnicking. Folsom Lake State Recreation Area is a popular destination for boating,

[45] Dean Runyan Associates (prepared for Visit California), The Economic Impact of Travel in California, April 2024.

camping, and hiking, located about 25 miles northeast of Sacramento. William Land Park, one of Sacramento's largest parks, features the Sacramento Zoo, Fairytale Town, golf courses, and expansive green spaces for various outdoor activities.

Additional Attractions

DOCO (Downtown Commons) is a bustling area in downtown Sacramento with a mix of shopping, dining, entertainment, and the Golden 1 Center. Sacramento is known as America's Farm-to-Fork Capital, hosting numerous events celebrating the region's agricultural heritage and culinary scene, including the annual Farm-to-Fork Festival.

Convention Center

Located in the heart of downtown, the SAFE Credit Union Convention & Performing Arts District includes the SAFE Credit Union Convention Center, SAFE Credit Union Performing Arts Center, and Memorial Auditorium. The SAFE Credit Union Convention Center has 240,000 square feet of meeting space, and 160,000 of exhibit space. A major expansion of the building was completed in 2021.

Professional Sports

Sacramento is home to several professional sports teams. The Sacramento Kings a National Basketball Association (NBA) franchise; the Sacramento River Cats serve as the AAA affiliate for the San Francisco Giants, a Major League Baseball (MLB) franchise; the Sacramento Republic FC, a United Soccer League (USL) franchise.

The Oakland Athletics (MLB) franchise plan to eventually relocate to Las Vegas; however, due to the details of the transition not yet being finalized, the team will temporarily relocate to West Sacramento's Sutter Health Park during the 2025, 2026, and 2027 seasons.[46]

Other Nearby Tourist Attractions

Popular tourist destinations within driving distance from Sacramento but outside the Air Trade Area include Napa Valley, Sonoma Valley, Yosemite National Park, and Lake Tahoe, each attracting millions of visitors annually and significantly boosting the local economy.

4.2.4.6 CONSTRUCTION, MINING, AND LOGGING

In CY 2023, the construction, mining, and logging sector was the sixth-highest employment level among all sectors, accounting for approximately 78,000 employees in the Air Trade Area. In CY 2023, the construction, mining, and logging sector accounted for 7.0 percent of total nonagricultural employment in the Air Trade Area, compared to 5.2 percent in California and 5.5 percent in the nation.

Construction, mining, and logging employment in the Air Trade Area increased by 5.6 percent between CY 2013 and CY 2023, compared to an increase of 3.4 percent for California and 2.6 percent for the nation over the same period.

Both building permits and housing sales and prices are indirect indicators of employment in the residential construction sector. As shown in **Table 4-9**, Air Trade Area residential building permits and valuation experienced a markedly higher increase than what was experienced by California and the United States over the CY 2013 to CY 2023 period. After rebounding from the bottom of the most recent residential real estate building cycle in CY 2009 (not shown), the Air Trade Area's residential building permit units have grown significantly, at a CAGR of 11.1 percent

[46] The Sacramento Bee, "It's official: Oakland A's to play three seasons in West Sacramento, Kings ownership announces," May 15, 2024. https://www.sacbee.com/sports/article287381405.html (accessed June 27, 2024).

during the period CY 2013 to CY 2023, compared to an increase of 3.3 percent for California and 4.3 percent for the United States over the same period. Building permit valuation increased at a CAGR of 11.9 percent (compared to an increase of 4.3 percent for California and 7.5 percent for the United States) between CY 2013 and CY 2023. Although the effects of transfer payments, low mortgage rates, and other factors that boosted housing demand and new and existing home prices during the pandemic appear to have peaked largely in CY 2021, permits and valuations all remain above CY 2019 levels in the Air Trade Area, California, and the nation.

TABLE 4-9 RESIDENTIAL BUILDING PERMITS AND VALUATION CALENDAR YEAR 2013 THROUGH CALENDAR YEAR 2023

(Dollar Amounts in Thousands)

	AIR TRADE AREA		CALIFORNIA		UNITED STATES	
YEAR	UNITS	VALUATION	UNITS	VALUATION	UNITS	VALUATION
CY 2013	4,391	$1,166,758	80,742	$18,263,212	990,822	$177,655,914
CY 2014	4,439	$1,224,151	83,657	$18,743,512	1,046,363	$193,243,022
CY 2015	6,555	$1,771,638	98,188	$22,637,174	1,182,582	$223,611,322
CY 2016	7,465	$2,089,667	102,350	$24,045,190	1,206,642	$237,101,605
CY 2017	9,806	$2,485,245	114,780	$27,782,207	1,281,977	$258,505,416
CY 2018	8,349	$2,213,592	113,502	$27,844,627	1,328,827	$271,119,545
CY 2019	10,109	$2,664,104	110,197	$26,583,348	1,386,048	$280,534,198
CY 2020	11,750	$2,877,743	106,075	$25,423,120	1,471,141	$307,209,904
CY 2021	13,415	$3,546,868	119,436	$28,724,878	1,736,982	$380,036,187
CY 2022	11,538	$3,130,007	120,780	$29,021,278	1,680,400	$384,447,200
CY 2023	12,550	$3,586,776	111,760	$27,863,350	1,511,100	$365,373,000
Compound Annual Growth Rate						
CY 2013 – CY 2019	14.9%	14.8%	5.3%	6.5%	5.8%	7.9%
CY 2019 – CY 2023	5.6%	7.7%	0.4%	1.2%	2.2%	6.8%
CY 2013 – CY 2023	11.1%	11.9%	3.3%	4.3%	4.3%	7.5%

NOTE:
CY – Calendar Year
SOURCE: United States Census Bureau, *Annual Building Permits*, May 2024.

With respect to housing sales in the Air Trade Area, the median price for a single-family home in the Air Trade Area[47] was $560,000 in May 2024, up 4.1 percent from May 2023.[48] Approximately 1.5 months inventory of single-family homes for sale was available in May 2024, up 85.2 percent from a year earlier.[49]

Current large construction projects in Sacramento include The Railyards, a major real estate development transforming 240 acres into a mixed-use urban community, doubling the size of downtown. The project includes 6 million square feet of commercial space, 10,000 housing units, and 1,100 hotel rooms, all situated at a key public transit hub. Current developments in The Railyards include The AJ, a 345-unit mixed-use residential project and the

[47] Includes the County of Sacramento only, data not available for the Air Trade Area.

[48] Sacramento Association of Realtors, "Sacramento County Market Summary," https://sacrealtor.org/wp-content/uploads/MarketSummary-2.pdf (accessed July 31, 2024).

[49] Ibid.

Central Shops redevelopment, both expected to open in 2025. The development includes the 18-acre Kaiser Permanente hospital project, expected to house over 3,000 jobs and be completed in 2024. Additionally, construction began in 2022 on Aggie Square, UC Davis's future mixed-used innovation district.[50] The development will be focused on cell and gene therapy, genomics and imaging modalities. Adjacent to the UC Davis Medical Center in Sacramento, the research park has plans for more than 1 million square feet of research, wet labs, commercial space and housing. Anchor tenants when it opens in 2025 include Amazon Web Services.

Future real estate development in Sacramento includes Tower 301. Set to be the tallest building in Sacramento at 33 stories, it is anticipated to offer 23,000 square feet of cantilevered office space per floor, a plaza with landscaping and water elements, and a rooftop park.[51] Also, in the early stages in development, is Innovation Park, which plans to transform the former site of the Sacramento Kings' Arco Arena into a vibrant area with businesses, housing and a teaching hospital. The City of Sacramento has estimated Innovation Park would generate $2.1 billion and 14,000 jobs for the City during construction and more than $2.7 billion annually and 7,400 permanent jobs after completion.[52]

4.2.4.7 FINANCIAL

The financial sector comprises financial, insurance, and real estate services. In CY 2023, the financial sector was the seventh-highest employment level among all sectors, accounting for approximately 50,000 employees in the Air Trade Area. The financial sector accounted for 4.5 percent of total nonagricultural employment in CY 2023 in the Air Trade Area, compared to 4.6 and 5.9 percent in California and the nation, respectively.

Financial employment in the Air Trade Area decreased at a CAGR of -0.3 percent between CY 2013 and CY 2023, compared to a 0.4 percent CAGR increase for California and 1.5 percent CAGR increase for the nation over the same period. According to California Department of Transportation analysis, the lack of growth in financial sector employment in the Air Trade Area during this period is due at least in part to advances in regional bank mergers, real estate technology, and online insurance competition.[53]

Sacramento serves as a financial hub with numerous regional and national banks having a significant presence, such as Wells Fargo, Bank of America, and U.S. Bank. Additionally, the area is home to several credit unions and community banks that provide tailored services to local businesses and residents.

The insurance industry also plays a critical role, with major firms like Allstate, State Farm, and Nationwide having substantial operations in the region. Investment services are represented by firms like Edward Jones, Merrill Lynch, and local wealth management companies that cater to a diverse clientele, from individual investors to large corporations.

Financial technology (fintech) is an emerging and rapidly growing sector in Sacramento. The city supports a startup ecosystem, bolstered by initiatives from local universities and business incubators, with $5 billion raised, according

[50] https://www.aggie-square.com/ (accessed August 14, 2024).

[51] Greater Sacramento Economic Council, "301 Capitol Mall," https://www.greatersacramento.com/business-climate/301-capitol-mall/ (accessed May 30, 2024).

[52] Ayestas, Jonathon, KCRA3, "Sacramento leaders approve funding outline for plan toward transforming site of Arco Arena," https://www.kcra.com/article/sacramento-innovation-park-arco-arena-term-sheet/60661135 (accessed August 1, 2024).

[53] California Department of Transportation, "Sacramento County Economic Forecast", https://dot.ca.gov/-/media/dot-media/programs/transportation-planning/documents/data-analytics-services/transportation-economics/socioeconomic-forecasts/2022/sacramento-2022-a11y.pdf (accessed July 2, 2024).

to the Greater Sacramento Economic Council Business Climate Report. This growth is driven by the increasing demand for digital financial solutions and innovations in payment processing, blockchain, and financial services software.

4.2.4.8 TRANSPORTATION/UTILITIES

In CY 2023, the transportation and utilities sector was the eighth-highest employment level among all sectors, accounting for approximately 45,000 employees in the Air Trade Area. The transportation/utilities sector accounted for 4.0 percent of total nonagricultural employment in CY 2023 in the Air Trade Area, compared to 4.7 and 4.6 percent in California and the nation, respectively.

Transportation and utilities employment in the Air Trade Area increased at a CAGR of 6.3 percent between CY 2013 and CY 2023, compared to a 5.1 and 3.5 percent increase for California and the nation, respectively, over the same period. Recent higher growth in this sector nationwide is that because the sector includes warehousing, which, due to the preexisting and acceleration of growth during the pandemic of consumers changing from local retail centers purchases to online acquisition of goods, warehouse, distribution centers, and fulfillment center jobs were substituting for retail jobs at brick-and-mortar stores.[54]

A well-functioning transportation system is critical to promote economic growth. It facilitates the efficient movement of goods and people, allowing businesses to scale and reduce production costs. This connectivity allows trade, attracts investment, and enables a more skilled workforce to access job opportunities.

Sacramento International Airport is the main airport serving the region, with approximately 12.2 million passengers annually and handling over 150 million pounds of cargo each year. The Airport is also supported by additional transportation infrastructure providing both passenger and freight access:

The Greater Sacramento Area boasts a well-integrated transportation network that connects it to major markets across California and the United States. This network includes key highways, railroads, ports, airports, and public transit systems, playing a critical role in facilitating both commercial and passenger travel.

The Greater Sacramento Area sits at the intersection of several major interstate highways: Interstate 5 (I-5), which runs north-south through Sacramento, linking the region to major cities such as Los Angeles to the south and Seattle to the north; Interstate 80 (I-80) an important east-west route that connects Sacramento to San Francisco and Reno; and U.S. Highway 50, which connects Sacramento to Lake Tahoe and the Sierra Nevada. Additionally, there are significant local road networks and state highways that enhance connectivity within the region and beyond.

The Greater Sacramento Area is served by major Class I railroad companies:

- **Union Pacific Railroad (UP**): Provides freight services that are crucial for the transport of goods across the region and the country.
- **BNSF Railway**: Another major freight carrier operating in the area.

Additionally, Amtrak connects Sacramento with San Francisco to the West and Auburn to the East. These railroads facilitate the movement of large quantities of goods, contributing to the region's economic vitality.

Public transit in the Greater Sacramento Area is primarily managed by the Sacramento Regional Transit District (SacRT), and includes:

[54] California Department of Transportation, "Sacramento County Economic Forecast," (accessed May 24, 2024).

- **Light Rail**: The SacRT light rail system includes three lines (Blue, Gold, and Green), with over 42 miles of track and 53 stations.
- **Bus Services**: SacRT operates around 70 bus routes, providing extensive coverage throughout Sacramento and the surrounding area.

Ocean shipping is facilitated by the Port of West Sacramento, which is located west of Sacramento, this port is a key facility for maritime trade in the region. It handles a variety of cargo, including agricultural products, cement, and lumber. The port enhances the region's logistics capabilities and supports local industries by providing a vital link to international markets.

The primary utility companies serving the Greater Sacramento Area are:

- **Sacramento Municipal Utility District (SMUD):** Provides electric power to the region.
- **Pacific Gas and Electric Company (PG&E)**: Provides natural gas services to the region.

4.2.4.9 MANUFACTURING

In CY 2023, the manufacturing sector is the ninth-highest employment level among all sectors and accounted for approximately 43,000 employees in the Air Trade Area. The manufacturing sector accounted for 3.8 percent of total nonagricultural employment in CY 2023 in the Air Trade Area, lower than 7.5 percent in California and 8.3 percent in the nation.

Manufacturing employment in the Air Trade Area increased by 1.6 percent between CY 2013 and CY 2023, compared to an increase of 0.5 percent in California and 0.7 percent in the nation over the same period.

While the Air Trade Area has a lower concentration of manufacturing jobs compared to that in the state and the nation, Advanced Manufacturing is a focus industry of the Greater Sacramento Economic Council, which believes the Air Trade Area possesses the resources, infrastructure, and workforce required for advanced manufacturing companies to thrive.[55] Specifically, the Council notes: “The Port of West Sacramento, a Foreign Trade Zone, and major east-west and north-south freeways offer seamless connection and potential cost savings while local manufacturing initiatives ensure skilled labor is always on-hand”.[56]

The largest advanced manufacturer by number of employees in the Air Trade Area is Intel (6,000 employees in the Sacramento metro area), which focuses on research and development of computer chips and chipsets, including desktop, mobile and server processor products.[57] Other advanced manufacturing employers in the Air Trade Area include industrial/transportation machinery manufacturer Siemens Mobility, Inc., medical device manufacturers PRIDE Industries and Penumbra, semiconductor manufacturers Micron Technology and TSI Semiconductors, and drone manufacturer Kratos Unmanned Aerial Systems.[58]

Other manufacturers located in Sacramento included PackageOne, which recently merged with American River Packaging and is one of the largest independent custom packaging manufacturers in California. Tesla, Nike, Pepsi,

---

[55] Greater Sacramento Economic Council, https://www.greatersacramento.com/business-climate/industries/advanced-manufacturing/ (accessed May 20, 2024).

[56] Ibid.

[57] Sacramento Business Journal, “Manufacturers in Sacramento area”, https://www.bizjournals.com/sacramento/subscriber-only/2024/01/19/manufacturers-in-sacramento-area.html (accessed May 20, 2024).

[58] Ibid.

Red Bull, and the Permanente Medical Group all manufacture products in the Air Trade Area.

4.2.4.10 OTHER SERVICES

Other services employment includes personal services (e.g., dry cleaning and laundry services; repair and maintenance services; religion, grant making, civic, professional, and similar organizations) and private household employment. [59] In CY 2023, the other services sector accounted for approximately 39,000 employees in the Air Trade Area. The other services sector accounted for 3.5 percent of total nonagricultural employment in CY 2023 in the Air Trade Area, compared to 3.3 and 3.7 percent in California and in the nation, respectively.

Other services employment in the Air Trade Area increased at a CAGR of 2.7 percent between CY 2013 and CY 2023, compared to a 1.3 and 0.6 percent increase for California and the nation, respectively, over the same period.

Because the demand for other services is on an individual or household level, trends in other services employment do not independently drive economic growth, but rather tend to reflect growth in other industry sectors, which results in an increased demand for other services by individuals and households.

4.2.4.11 INFORMATION

The information sector combines telecommunications service providers, traditional publishing, motion picture and sound recording, broadcasting, software, online services, and data processing. In CY 2023, the information sector accounted for approximately 10,000 employees in the Air Trade Area. The information sector accounted for 0.9 percent of total nonagricultural employment in CY 2023 in the Air Trade Area, compared to 3.1 and 1.9 percent in California and the nation, respectively.

Information employment in the Air Trade Area declined at a CAGR of 4.0 percent between CY 2013 and CY 2023, compared to a 2.1 percent increase for California and 1.1 percent increase for the nation over the same period. The decline in information jobs during this period is the consequence of changing technologies that have resulted in downsizing the domestic telecommunications industry, cable and subscription programming, libraries, movie theaters, book, newspaper, and periodical publishing.[60]

In Sacramento County, the information sector is led by telecommunications companies like Comcast, as well as radio and TV production studios, newspapers, and data/internet services firms. Employment growth is expected to continue in software publishing, internet publishing and broadcasting, data processing, website hosting, and some radio, TV, and video production. [61]

4.2.4.12 AGRICULTURE AND FOOD

In addition to the 11 nonagricultural industry sectors described above, agriculture and food also play an important role in the Air Trade Area. The Air Trade Area is part of the Sacramento Valley, which is the northern half of the Central Valley, where there are large expanses of agricultural production. Sacramento County produces a variety of crops including rice, tomatoes, pears, and grapes, as well as dairy and livestock commodities. In 2022, according to

---

[59] US Department of Labor, Bureau of Labor Statistics, "Industries at a Glance – Other Services," https://www.bls.gov/iag/tgs/iag81.htm (accessed April 28, 2024).

[60] California Department of Transportation, *"Sacramento County Economic Forecast,"* https://dot.ca.gov/-/media/dot-media/programs/transportation-planning/documents/data-analytics-services/transportation-economics/socioeconomic-forecasts/2022/sacramento-2022-a11y.pdf (accessed May 28, 2024).

[61] California Department of Transportation, *"Sacramento County Economic Forecast,"* https://dot.ca.gov/-/media/dot-media/programs/transportation-planning/documents/data-analytics-services/transportation-economics/socioeconomic-forecasts/2022/sacramento-2022-a11y.pdf (accessed May 24, 2024).

the Sacramento County Crop and Livestock Report, the total value of all agricultural commodities in Sacramento County alone was over $602 million, a 5 percent increase from 2021. Wine grapes remained the leading cash crop, valued at more than $188 million. There are approximately 15,000 people employed in agriculture in the Air Trade Area.[62]

In addition to the agricultural production of the Sacramento Valley, the City of Sacramento is known as America's Farm-to-Fork Capital, highlighting its rich agricultural heritage and fresh, local food. The city has the largest Certified Farmers Market in the state and hosts Farm-to-Fork Festival annually in September to celebrate the region's food and agriculture, attracting thousands of visitors. [63]

The Greater Sacramento Area has also emerged as a significant center for food and agricultural technology (foodtech and agtech) innovation. The area fosters advancements across the entire food supply chain, encompassing sustainable farming practices, food processing technologies, and food science research. This growth is bolstered by the presence of UC-Davis, the nation's leading institution for agricultural sciences. UC-Davis serves as a crucial talent pipeline, continuously supplying the foodtech and agtech sectors with highly skilled plant and food scientists. The Greater Sacramento Area also has a variety of agtech incubators and research park developments, including[64]:

- **Bayer CoLaborator.** A shared lab space located at Bayer Crop Science's headquarters, providing basic equipment and support for agtech startups.
- **Woodland Research and Technology Park.** A future development planned near UC Davis, offering office and lab space focused on agtech, biotech, and other related fields. This park will also include residential and recreational areas.

4.3 ECONOMIC OUTLOOK

4.3.1 SHORT-TERM ECONOMIC OUTLOOK

The Congressional Budget Office (CBO) economic outlook released in June 2024 projects a 2.6 percent year-over-year increase in real GDP for CY 2024, which is similar to the real GDP growth in CY 2023 (2.5 percent). The real GDP growth rate is projected by the CBO to decrease to 2.1 percent in CY 2025, and then fall to 1.8 percent by CY 2026.[65] Real GDP growth projected by CBO is similar to that projected by the International Monetary Fund (IMF). The IMF economic outlook released in July 2024 projects a 2.6 percent year-over-year increase in real US GDP for CY 2024. CY 2025 is then projected to see slower year-over-year US GDP growth of 1.9 percent.[66] The CBO projects the national unemployment rate to rise to 4.4 percent by the end of CY 2027.[67]

[62] Sacramento County, "2022 Crop and Livestock Report," https://www.saccounty.gov/news/latest-news/Documents/ATT_1__2022_Sacramento_County_Crop_and_Livestock_Report.pdf.pdf (accessed August 14, 2024).

[63] Visit Sacramento, "What Makes Sacramento America's Farm-to-Fork Capital?," https://www.visitsacramento.com/blog/stories/post/what-makes-sacramento-americas-farm-to-fork-capital/ (accessed June 28, 2024).

[64] Greater Sacramento Economic Council, "Agri-food tech," https://www.greatersacramento.com/business-climate/industries/agtech/ (accessed June 28, 2024).

[65] Congressional Budget Office, The Budget and Economic Outlook: 2024 to 2034, June 2024.

[66] International Monetary Fund, *World Economic Outlook Update: The Global Economy in a Sticky Spot*, July 2024.

[67] Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034*, June 2024.

4.3.2 LONG-TERM ECONOMIC ASSUMPTIONS INCORPORATED IN PASSENGER DEMAND FORECASTS

As described in more detail in Chapter 5, the methodologies used in developing forecasts of enplaned passengers at SMF included (among other methodologies) statistical linear regression modeling, with local and national socioeconomics and demographics as independent variables and O&D passengers as the dependent variable. Independent variables considered for this analysis included population, employment, earnings (total and net), personal income (per capita and total), and GRP/GDP (per capita and total) for the Air Trade Area and the United States. For each socioeconomic and demographic variable, regression modeling produced a coefficient that was applied to the corresponding variable projection developed by Woods & Poole to provide a forecast of enplaned passengers. **Table 4-10** presents the CY 2022 and CY 2030 figures used in the modeling, as well as the CAGR for each independent variable in CY 2022 and CY 2030. As previously stated, the demand for air transportation at an airport is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area. The projected growth during the Projection Period in the economic indicators in Table 4-10 supports the underlying assumptions that drive the airline activity forecasts discussed in Chapter 5.

TABLE 4-10 PROJECTION OF ECONOMIC VARIABLES USED IN PASSENGER DEMAND FORECASTS

			COMPOUND ANNUAL GROWTH RATE
VARIABLE	CY 2022[4]	CY 2030	CY 2022 – CY 2030
Air Trade Area Population	3,394,474	3,658,957	0.9%
US Population	333,271,411	350,794,062	0.6%
Air Trade Area Total Employment (jobs)[1]	1,950,646	2,138,642	1.2%
US Total Employment (jobs)[1]	212,442,020	235,602,509	1.3%
Air Trade Area Total Personal Income[2]	$184,363	$227,430	2.7%
US Total Personal Income[2]	$18,803,588	$22,707,644	2.4%
Air Trade Area Per Capita Personal Income[3]	$54,313	$62,156	1.7%
US Per Capita Personal Income[3]	$56,234	$64,732	1.8%
Air Trade Area Total Earnings[2]	$125,603	$146,721	2.0%
US Total Earnings[2]	$13,105,445	$15,661,853	2.3%
Air Trade Area Net Earnings[2]	$117,431	$143,843	2.6%
US Net Earnings[2]	$11,644,967	$13,966,625	2.3%
Air Trade Area Gross Regional Product (GRP)[2]	$190,274	$223,284	2.0%
US Gross Domestic Product (GDP)[2]	$21,788,014	$25,999,436	2.2%
Air Trade Area per Capita Gross Regional Product (GRP)[3]	$56,054	$61,024	1.1%
US Gross per Capita Domestic Product (GDP)[3]	$65,376	$74,116	1.6%

NOTES:
All dollar amounts are in 2017 dollars. 2030 data are Woods & Poole Economics, Inc., projections.
CY – Calendar Year
GDP – Gross Domestic Product
GRP – Gross Regional Product
1 Employment data include wage and salary workers, proprietors, private household employees, and miscellaneous workers.
2 Figures displayed in millions of 2017 dollars.
3 Figures displayed in 2017 dollars.
4 CY 2022 is the last year of historical data in the Woods & Poole Economics, Inc. (Woods & Poole) database and is the basis for Woods & Poole's future projections. Therefore, it is the last year of historical data displayed in this table. CY 2023 data may be available from other sources.
SOURCE: Woods & Poole Economics, Inc., *2024 Complete Economic and Demographic Data Source (CEDDS),* June 2024.

4.4 CONCLUSIONS

The historical and future projected socioeconomic data of the Air Trade Area cited in this chapter, including Air Trade Area employment, GRP, population, and PCPI data, support the conclusion that the Air Trade Area can support increased airline traffic demand through the Projection Period (ending CY 2030).

The Air Trade Area population was approximately 3.4 million in CY 2022, and it is projected by Woods & Poole to increase to approximately 3.7 million by CY 2030. This represents a 0.9 percent CAGR for the Air Trade Area, which is projected to be greater than that experienced by California and the United States during the same period (0.6 percent and 0.6 percent, respectively).

PCPI in the Air Trade Area is lower than in the United States between CY 2012 and CY 2022. The Air Trade Area's PCPI in CY 2022 ($54,313) was 3.4 percent lower than PCPI in the United States ($56,234) and 22.2 percent lower than PCPI in California ($66,366). PCPI in the Air Trade Area is projected by Woods & Poole to increase at a CAGR of 1.7 percent between CY 2022 and CY 2030, which is lower than the projected CAGR of 1.8 percent for the United States and comparable to the projected CAGR of 1.7 percent for California.[68]

Between CY 2012 and CY 2022, the Air Trade Area's GRP grew at a CAGR of approximately 3.2 percent; this is lower than California but higher than the United States during the same period, which increased at CAGRs of 3.3 percent and 2.5 percent, respectively. GRP in the Air Trade Area is projected by Woods & Poole to increase at a CAGR of 2.0 percent between CY 2022 and CY 2030; California GRP and US GDP are projected to increase at CAGRs of 2.4 percent and 2.2 percent, respectively, over the same period.

Between CY 2013 and CY 2023, the Air Trade Area's labor force grew at a CAGR of approximately 0.9 percent; this is higher that experienced by California and the United States during the same period, which grew at CAGRs of 0.4 percent and 0.7 percent, respectively.

In terms of percentages of industry sector shares, CY 2023 employment in the following industry sectors in the Air Trade Area exceeded employment in the United States: construction/mining/logging, education/health services, and government. During the same period, the following industry sectors in the Air Trade Area exceeded employment in California: construction/mining/logging, education/health services, government, and other services.

The Air Trade Area boasts a diverse economy which benefits from state and local policies that support sustainable development and innovation. In 2023, California topped CNBC's rankings for access to capital and technology & innovation.[69] The greater Sacramento region features a robust talent pool, significant venture capital investment, and a growing tech scene supported by local universities and business incubators. Initiatives like the Sacramento Urban Technology Lab and international employers such as Siemens drive economic growth and innovation. Sacramento's strategic location offers logistical advantages, proximity to major ports, and an inland port in West Sacramento.

In conclusion, the data cited in this chapter support the conclusion that the Air Trade Area has a diverse economy, growing population base, and attractive business climate which favorably impacts future airline traffic demand.

[68] Amounts are in 2017 dollars.

[69] CNBC, "America's Top States for Business 2023: The full rankings," https://www.cnbc.com/2023/07/11/americas-top-states-for-business-2023-the-full-rankings.html (accessed May 24, 2024).

5. PASSENGER DEMAND AND AIR SERVICE ANALYSIS

This chapter describes historical and forecast aviation activity at SMF and discusses key factors affecting these trends.

5.1 CARRIERS SERVING THE AIRPORT

A total of 15 airlines provided regular passenger service at the Airport during fiscal year (FY) 2024. These include 12 United States (US) airlines and 3 foreign flag airlines. Southwest provides scheduled domestic and international service. Three all-cargo carriers served the Airport regularly during this period. **Table 5-1** lists those carriers providing service to the Airport during FY 2024.

TABLE 5-1 CARRIERS SERVING THE AIRPORT (FISCAL YEAR 2024)

US AIRLINES [1]	FOREIGN-FLAG AIRLINES	ALL-CARGO SERVICE[2]
Alaska Airlines	Air Canada	ATI
American Airlines	AeroMexico	FedEx Express
Envoy Air (American)	Volaris	UPS Airlines
Jazz (Air Canada)		
JetBlue Airways		
Delta Air Lines		
Frontier Airlines		
Hawaiian Airlines		
SkyWest (Alaska, American, Delta, United)		
Spirit Airlines		
United Airlines		
Southwest Airlines		

NOTES:
Scheduled passenger airlines are indicated based on published airline schedules for FY 2024, while all-cargo service is provided through the most recent month with available historical data, February 2024.
1 Includes regional affiliates, where applicable.
2 Excludes carriers operating at the Airport irregularly.
SOURCES: Sacramento County Department of Airports, June 2024; Cirium Diio, June 2024 (published airline schedules.

The Airport has the benefit of a stable air carrier base. Of the 15 air carriers serving the Airport in FY 2024, 9 have served the airport consistently since FY 2014. **Table 5-2** presents the scheduled passenger air carriers that have served the Airport between FY 2014 and FY 2024.

TABLE 5-2 HISTORICAL SCHEDULED PASSENGER AIR CARRIER BASE

(Fiscal Year Ended June 30)

AIR CARRIER	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Aeromexico	•	•	•	•	•	•	•	•	•	•	•
Alaska Airlines	•	•	•	•	•	•	•	•	•	•	•
American Airlines	•	•	•	•	•	•	•	•	•	•	•
Delta Air Lines	•	•	•	•	•	•	•	•	•	•	•
Hawaiian Airlines	•	•	•	•	•	•	•	•	•	•	•
JetBlue Airways	•	•	•	•	•	•	•	•	•	•	•
Southwest Airlines	•	•	•	•	•	•	•	•	•	•	•
United Airlines	•	•	•	•	•	•	•	•	•	•	•
Volaris	•	•	•	•	•	•	•	•	•	•	•
Air Canada					•	•	•		•	•	•
Spirit Airlines						•	•	•	•	•	•
Frontier Airlines						•	•	•	•	•	•
Boutique Air						•	•	•	•		
Sun Country Airlines						•	•	•			
Contour Aviation						•	•				

NOTE:
Where applicable, includes affiliated, regional, and merged carriers.
SOURCE: Cirium Diio, June 2024 (published airline schedules).

5.2 AIR SERVICE ANALYSIS

5.2.1 HISTORICAL AIRLINE ACTIVITY

The Airport, classified by the FAA as a medium-hub facility based on its percentage of nationwide passenger activity,[70] ranked 37th in passengers in the US in Calendar Year (CY) 2023, according to US DOT T-100 enplaned passenger data. The Airport primarily serves origin and destination (O&D) passengers, with O&D passengers accounting for approximately 95 percent of all passengers at the Airport in FY 2024. The majority of connecting passengers are carried by Southwest. Southwest primarily operates a point-to-point network with service levels that enable some passengers to connect through the Airport.

Table 5-3 presents historical domestic and international passenger activity at the Airport between FY 2014 and FY 2024. Passenger activity at the Airport grew steadily during the first half of the historical period until the onset of the COVID-19 pandemic. Between FY 2014 and FY 2019, total enplaned passengers grew at a compound annual growth rate (CAGR) of 7.6 percent. During this time domestic enplaned passengers grew at a CAGR of 7.3 percent, while international enplaned passengers grew at a CAGR of 18.7 percent. Domestic, international, and total enplaned passengers recovered to pre-pandemic levels in FY 2023, with growth between FY 2014 and FY 2024 representing CAGRs of 4.0 percent, 11.7 percent, and 4.2 percent, respectively.

Notable details regarding passenger activity at the Airport between FY 2014 and FY 2024 are as follows:

TABLE 5-3 HISTORICAL ENPLANED PASSENGERS

FISCAL YEAR	DOMESTIC ENPLANED PASSENGERS	INTERNATIONAL ENPLANED PASSENGERS	TOTAL ENPLANED PASSENGERS	ENPLANED PASSENGER GROWTH
2014	4,311,133	65,104	4,376,237	
2015	4,546,641	83,204	4,629,845	5.8%
2016	4,846,744	96,441	4,943,185	6.8%
2017	5,078,528	119,656	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	4,813,906	127,028	4,940,934	-21.6%
2021	3,093,443	116,727	3,210,170	-35.0%
2022	5,625,842	167,739	5,793,581	80.5%
2023	6,258,484	184,770	6,443,254	11.2%
2024	6,400,198	196,958	6,597,156	2.4%
Compound Annual Growth Rate				
2014 – 2019	7.3%	18.7%	7.6%	
2014 – 2024	4.0%	11.7%	4.2%	

SOURCE: Sacramento County Department of Airports, July 2024.

[70] As defined by the FAA, a medium-hub airport enplanes between .25 to 1.0 percent or more of nationwide revenue enplaned passengers.

FY 2014 to FY 2019

Total enplaned passengers consistently increased on a year over year basis during this period, resulting in a CAGR of 7.6 percent. Southwest represented approximately half of the total growth, with nonstop service increasing from 11 destinations in FY 2014 to 24 destinations in FY 2019. During this period Southwest diversified its service from the Airport, adding medium-haul service to Dallas Love Field (DAL), St. Louis Lambert International Airport (STL), Austin-Bergstrom International Airport (AUS), Orlando International Airport (MCO), Baltimore/Washington Thurgood Marshall International Airport (BWI), William P. Hobby Airport in Houston (HOU), Nashville International Airport (BNA), and Louis Armstrong International Airport (MSY) that complimented existing service that was primarily to destinations in the Western US. During this period Southwest also launched its first international service from the Airport to Los Cabos International airport in Mexico (SJD). Frontier launched service from the Airport in FY 2019 with nonstop service to Denver International Airport (DEN) and Herry Reid International Airport in Las Vegas (LAS). Spirit launched nonstop service to LAS in FY 2019.

Other incumbent airlines expanded their presence at the airport with service to new destinations. American launched service to its hubs at Charlotte Douglas International Airport (CLT), Chicago O'Hare International Airport (ORD), and Phoenix Sky Harbor International Airport (PHX) in FY 2016. Delta launched nonstop service from the Airport in FY 2015 to Seattle Tacoma International Airport (SEA). United launched service to Newark Liberty International Airport (EWR) in FY 2017. Alaska launched service to San Diego International Airport (SAN) and SJD in FY 2019 and to Ellison Onizuka Kona International Airport (KOA) in FY 2019.

FY 2020 to FY 2021

Enplaned passengers decreased sharply in FY 2020, down 21.6 percent year over year, and FY 2021, down 35.0 percent year over year, due to the impact of the COVID-19 pandemic. Contour Airlines (Contour) stopped serving the Airport in FY 2020 and Sun Country Airlines stopped serving the Airport in FY 2021. Air Canada suspended service at the Airport in FY 2020 and FY 2021, resuming service in FY 2022. Other airlines reduced service during this period. The impact of the COVID-19 pandemic is presented in more detail in Section 5.3.1.

FY 2022 to FY 2024

Enplaned passengers increased 80.5 percent in FY 2022 compared to FY 2021 as airlines restored capacity to capture a rebound in demand. Enplaned passengers increased 11.2 percent in FY 2023 to 6.4 million, surpassing FY 2019 levels and a record for the Airport. Southwest represented the largest component of the total growth during this period as it restored service that was reduced during FY 2020 and FY 2021 and launched new service to Palm Springs International Airport (PSP), KOA, and Santa Barbara Airport (SBA). While enplaned passengers increased for most airlines at the Airport in FY 2022 and FY 2023, some airlines suspended recently launched service, including JetBlue's service to CUN, Frontier's service to Ontario International Airport (ONT) and PHX, and Sprit's service to John Wanye Airport in Orange County, California (SNA).

FY 2024 enplaned passengers increased 2.4 percent YOY to 6.6 million. American represented the largest year over year increase in scheduled departing seats with the addition of nonstop service to Miami International Airport (MIA) and increased capacity to Dallas Fort Worth International Airport (DFW). Southwest enplaned passengers are estimated to have increased 1.2 percent despite a 1.5 percent decrease in scheduled departing seats.

Table 5-4 presents the historical share of enplaned passengers by carrier at the Airport between FY 2019 and FY 2024. Southwest has represented the largest share of enplaned passengers over the 5-year period shown, representing between 50 and 56 percent of total enplaned passengers. Delta, United, and American have held the second, third, and fourth largest shares, representing between 9 and 12 percent of total enplaned passengers. Alaska has consistently ranked fifth, representing between 4 and 8 percent of the total enplaned passengers.

TABLE 5-4 HISTORICAL TOTAL ENPLANED PASSENGERS BY AIRLINE

CARRIER [1]	2019		2020		2021		2022		2023		2024	
	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE
Southwest Airlines	3,359,761	53%	2,559,024	52%	1,602,735	50%	2,985,276	52%	3,606,880	56%	3,651,226	55%
Delta Air Lines	640,358	10%	529,085	11%	373,155	12%	610,235	11%	627,055	10%	654,361	10%
American Airlines	675,790	11%	499,276	10%	378,399	12%	542,731	9%	555,968	9%	647,695	10%
United Airlines	671,568	11%	451,670	9%	312,891	10%	601,019	10%	579,961	9%	624,762	9%
Alaska Airlines	501,063	8%	402,202	8%	217,160	7%	440,059	8%	407,283	6%	258,481	4%
Spirit Airlines	4,208	0%	97,371	2%	67,493	2%	159,783	3%	201,686	3%	210,877	3%
Hawaiian Airlines	97,487	2%	88,524	2%	60,741	2%	138,693	2%	151,007	2%	150,065	2%
Volaris	64,757	1%	57,879	1%	64,669	2%	90,741	2%	112,565	2%	116,553	2%
Aeromexico	55,147	1%	43,766	1%	39,311	1%	49,960	1%	42,848	1%	34,971	1%
Frontier Airlines	53,294	1%	61,178	1%	74,298	2%	111,728	2%	60,432	1%	34,367	1%
Air Canada	20,312	0%	14,050	0%	0	0%	1,953	0%	20,240	0%	34,052	1%
All Others [2]	154,702	2%	136,909	3%	19,318	1%	61,403	1%	77,329	1%	179,746	3%
Airport Total	**6,298,447**		**4,940,934**		**3,210,170**		**5,793,581**		**6,443,254**		**6,597,156**	

NOTES:
1 Includes regional/commuter affiliates and airlines included in mergers.
2 Consists of airlines no longer serving the Airport, unaffiliated airlines, and/or charter airlines.
SOURCE: Sacramento County Department of Airports, July 2024.

5.2.2 MARKET CHARACTERISTICS

During CY 2024, airlines scheduled an average of 160 average daily departures from the Airport to 43 domestic destinations and 6 international destinations, as shown on **Exhibit 5-1**.

The distribution of O&D markets is an important characteristic, which is particularly true for the Airport, as it primarily serves O&D passengers. **Table 5-5** presents the Airport's top 20 domestic O&D markets during FY 2023. Also shown are the airlines that operated nonstop service in the market. The Airport's top 20 O&D markets represented approximately 75 percent of total O&D demand. Nineteen of the top 20 O&D markets were served nonstop from the Airport. Of those, 16 markets were served by more than one airline. International O&D passengers were accommodated through a combination of nonstop international flights from the Airport as connections through other US gateway airports.

Table 5-6 presents historical O&D and connecting enplaned passengers. O&D passengers have represented between 94 and 96 percent of total enplaned passengers during this period. **Exhibit 5-2** presents the historical average domestic O&D fare and load factor at the Airport. Between FY 2014 and FY 2019 the average domestic O&D fare decreased from $176 to $154 while the average load factor increased from 79 percent to 82 percent. The average fare and load factor decreased substantially in FY 2020 and FY 2021, reflecting the impact of the COVID-19 pandemic on demand for air travel. The average domestic O&D fare increased to $172 in FY 2022 and $179 in FY 2023. Average load factor in FY 2023 was 79 percent, the same as FY 2014.

5.2.3 AIRCRAFT OPERATIONS

Table 5-7 presents historical operations (takeoffs and landings) at the Airport between FY 2014 and FY 2024. Total operations increased from 108,714 in FY 2014 to 140,771 in FY 2024, which represents a CAGR of 2.6 percent. This growth was driven in large part by passenger airline operations, which increased by a CAGR of 2.4 percent during this period. Cargo aircraft operations peaked FY 2021 as the demand for e-commerce grew while passenger belly cargo volumes were reduced in conjunction with pandemic-related flight reductions. Cargo activity has decreased following this peak.

5.2.4 LANDED WEIGHT

Table 5-8 presents the share of landed weight by passenger and all-cargo carriers at the Airport between FY 2019 and FY 2024. Southwest has represented the largest share of landed weight during this period, between approximately 43 and 54 percent of the total landed weight. Several cargo airlines ranked in the top ten largest airlines operating at the Airport during at least one year of the period, including FedEx Express, ABX Air, and ATI. FedEx Express, the largest all-cargo airline at the Airport by landed weight during the period, was the eighth largest airline overall by landed weight in FY 2024, representing 2.7 percent of total landed weight during the year, with FedEx Express's share peaking at 5.8 percent in FY 2021 in line with cargo trends discussed previously.

5.3 FACTORS AFFECTING AVIATION ACTIVITY AT THE AIRPORT

This section discusses the qualitative factors that may influence future aviation activity at the Airport. These factors were considered, either directly or indirectly, in developing the aviation activity forecasts for the Airport.

SOURCES: Esri, USGS, April, 2024 (basemap); Esri, 2023 (continent boundary, airports, lakes); US Census Bureau, 2023 (state boundary); Cirium Diio, July 2024 (published airline schedules); Ricondo & Associates, Inc., July 2024 (routes).

NORTH 0 600 mi

EXHIBIT 5-1

DESTINATIONS SERVED

Project: P:\GIS\Projects\SMF\MXD\SMF_DestinationsServed_20240708.aprx Layout: SMF_Exh5-1_DestinationsServed_20240708

TABLE 5-5 TOP 20 DOMESTIC ORIGIN AND DESTINATION MARKETS (FISCAL YEAR 2023)

RANK	MARKET	O&D PASSENGERS (PDEW)	PERCENTAGE OF O&D PASSENGERS	AIRLINES PROVIDING NONSTOP SERVICE [1]
1	Los Angeles[2]	2,822	18.7%	American Airlines, Delta Air Lines, Southwest Airlines, Spirit Airlines, United Airlines
2	San Diego	1,502	10.0%	Alaska Airlines, Southwest Airlines
3	Las Vegas	1,217	8.1%	Frontier Airlines, Southwest Airlines, Spirit Airlines
4	Seattle	770	5.1%	Alaska Airlines, Delta Air Lines, Southwest Airlines
5	Phoenix	675	4.5%	American Airlines, Southwest Airlines
6	Denver	522	3.5%	Frontier Airlines, Southwest Airlines, United Airlines
7	Portland (OR)	469	3.1%	Alaska Airlines, Southwest Airlines
8	New York[3]	392	2.6%	JetBlue Airways, United Airlines
9	Dallas[4]	385	2.5%	American Airlines, Southwest Airlines
10	Chicago[5]	334	2.2%	American Airlines, Southwest Airlines, United Airlines
11	Honolulu	326	2.2%	Hawaiian Airlines, Southwest Airlines
12	Washington[6]	299	2.0%	United Airlines
13	Salt Lake City	271	1.8%	Delta Air Lines, Southwest Airlines
14	Atlanta	220	1.5%	Delta Air Lines
15	Houston[7]	217	1.4%	Southwest Airlines, United Airlines
16	Boise	214	1.4%	Alaska Airlines, Southwest Airlines
17	Austin	205	1.4%	American Airlines, Southwest Airlines, Spirit Airlines
18	Nashville	188	1.2%	Southwest Airlines
19	Kahului (Maui)	179	1.2%	Hawaiian Airlines, Southwest Airlines
20	Orlando	175	1.2%	-
Other O&D Markets		**3,717**	**24.6%**	
Total Domestic O&D Passengers		**15,100**	**100.0%**	

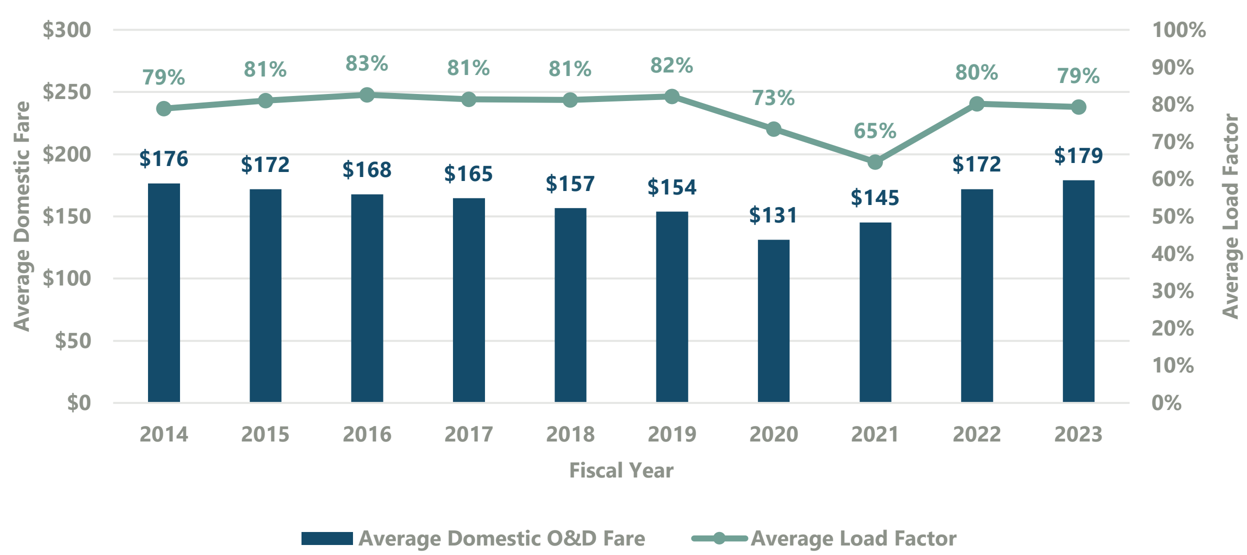
NOTES:
O&D – Origin and Destination; PDEW – Passengers Daily Each Way
Figures may not sum due to rounding.
1 Scheduled service operated during fiscal year 2023.
2 Includes Los Angeles International (LAX), Ontario International (ONT), Hollywood Burbank (BUR), Long Beach (LGB), and John Wayne (SNA) Airports.
3 Includes John F. Kennedy International (JFK), Newark Liberty International (EWR), Long Island MacArthur (ISP), LaGuardia (LGA), and Westchester County (HPN) Airports.
4 Includes Dallas Fort Worth International Airport (DFW) and Dallas Love Field (DAL).
5 Includes O'Hare (ORD) and Midway (MDW) International Airports.
6 Includes Ronald Reagan Washington National (DCA), Washington Dulles International (IAD), and Baltimore/Washington International Thurgood Marshall (BWI) Airports.
7 Includes George Bush Intercontinental Airport/Houston (IAH) and William P. Hobby (HOU) Airports.
SOURCES: Cirium Diio, June 2024 (published airline schedules; U.S. Department of Transportation, DB1B data).

TABLE 5-6 HISTORICAL ORIGIN AND DESTINATION PASSENGERS

FISCAL YEAR	TOTAL ENPLANED PASSENGERS	O&D ENPLANED PASSENGERS	PERCENTAGE OF O&D PASSENGERS	CONNECTING PASSENGERS	PERCENTAGE OF CONNECTING PASSENGERS
2014	4,376,237	4,181,177	95.5%	195,060	4.5%
2015	4,629,845	4,426,108	95.6%	203,737	4.4%
2016	4,943,185	4,742,467	95.9%	200,718	4.1%
2017	5,198,184	4,983,938	95.9%	214,246	4.1%
2018	5,761,586	5,472,098	95.0%	289,488	5.0%
2019	6,298,447	5,998,651	95.2%	299,796	4.8%
2020	4,940,934	4,704,886	95.2%	236,048	4.8%
2021	3,210,170	3,095,948	96.4%	114,222	3.6%
2022	5,793,581	5,509,325	95.1%	284,256	4.9%
2023	6,443,254	6,082,734	94.4%	360,520	5.6%
2024	6,597,156	6,267,298	95.0%	329,858	5.0%
Compound Annual Growth Rate					
2014 – 2019	7.6%	7.5%		9.0%	
2014 – 2024	4.2%	4.1%		5.4%	

NOTE:
O&D – Origin and Destination
SOURCES: Sacramento County Department of Airports, July 2024; Cirium Diio, June 2024 (US Department of Transportation, O&D Survey and T-100 data).

EXHIBIT 5-2 AVERAGE DOMESTIC O&D FARE AND AVERAGE LOAD FACTOR



SOURCE: Cirium Diio, July 2024 (US Department of Transportation, O&D Survey and T-100 data).

TABLE 5-7 HISTORICAL AIRCRAFT OPERATIONS

FISCAL YEAR	PASSENGER AIRLINE	ALL-CARGO	GENERAL AVIATION / OTHER AIR TAXI	MILITARY	TOTAL	ANNUAL GROWTH
2014	88,746	4,996	10,172	4,800	108,714	
2015	88,294	5,022	10,581	3,205	107,102	-1.5%
2016	91,960	5,420	10,405	2,256	110,041	2.7%
2017	95,532	5,568	9,837	1,323	112,260	2.0%
2018	105,008	7,050	11,253	2,184	125,495	11.8%
2019	112,008	8,202	11,730	2,654	134,594	7.3%
2020	99,784	8,216	9,648	2,109	119,757	-11.0%
2021	70,374	9,126	10,688	3,341	93,529	-21.9%
2022	102,322	8,732	10,355	3,365	124,774	33.4%
2023	111,564	7,946	12,190	2,402	134,102	7.5%
2024	112,656	7,902	18,214	1,999	140,771	5.0%
Compound Annual						
Growth Rate	4.8%	10.4%	2.9%	-11.2%	4.4%	
2014 – 2019	4.8%	10.4%	2.9%	-11.2%	4.4%	

SOURCES: Sacramento County Department of Airports, July 2024 (passenger airline and all-cargo operations); Federal Aviation Administration, Operations Network, July 2024 (general aviation / other air taxi, military, and total operations).

TABLE 5-8 HISTORICAL TOTAL LANDED WEIGHT BY AIRLINE (IN 1,000 POUND UNITS)

	2019		2020		2021		2022		2023		2024	
CARRIER [1]	LANDED WEIGHT	SHARE	LANDED WEIGHT	SHARE	LANDED WEIGHT	SHARE	LANDED WEIGHT	SHARE	LANDED WEIGHT	SHARE	LANDED WEIGHT	SHARE
Southwest Airlines	3,781,852	49.4%	3,291,520	48.3%	2,300,906	43.6%	3,422,043	46.8%	4,302,907	54.2%	4,187,836	52.5%
Delta Air Lines	669,384	8.8%	635,837	9.3%	645,273	12.2%	708,779	9.7%	694,648	8.7%	722,758	9.1%
American Airlines	723,328	9.5%	560,333	8.2%	402,030	7.6%	559,726	7.7%	563,500	7.1%	665,222	8.3%
United Airlines	712,394	9.3%	518,356	7.6%	371,085	7.0%	634,708	8.7%	593,480	7.5%	651,564	8.2%
Alaska Airlines	545,329	7.1%	496,020	7.3%	305,454	5.8%	507,443	6.9%	477,278	6.0%	295,779	3.7%
ATI	315,014	4.1%	311,781	4.6%	404,207	7.7%	217,439	3.0%	85,810	1.1%	270,178	3.4%
Spirit Airlines	4,562	0.1%	112,940	1.7%	74,014	1.4%	178,231	2.4%	198,377	2.5%	214,585	2.7%
FedEx Express	283,765	3.7%	287,621	4.2%	307,024	5.8%	307,157	4.2%	246,775	3.1%	213,113	2.7%
Hawaiian Airlines	125,904	1.6%	104,014	1.5%	98,605	1.9%	217,210	3.0%	211,440	2.7%	207,650	2.6%
Volaris	59,655	0.8%	57,036	0.8%	73,914	1.4%	93,119	1.3%	106,205	1.3%	108,680	1.4%
JetBlue Airways	178,122	2.3%	135,626	2.0%	22,639	0.4%	66,875	0.9%	76,937	1.0%	73,207	0.9%
ABX Air	99,046	1.3%	27,393	0.4%	29,896	0.6%	97,351	1.3%	153,908	1.9%	49,082	0.6%
Amerijet International	0	0.0%	85,750	1.3%	88,998	1.7%	89,958	1.2%	85,086	1.1%	47,270	0.6%
Air Canada	26,285	0.3%	19,376	0.3%	0	0.0%	2,178	0.0%	24,227	0.3%	39,924	0.5%
Aeromexico	49,918	0.7%	37,960	0.6%	42,827	0.8%	52,933	0.7%	45,752	0.6%	38,525	0.5%
Frontier Airlines	46,604	0.6%	62,082	0.9%	81,580	1.5%	120,903	1.7%	59,209	0.7%	35,931	0.5%
Westair	17,612	0.2%	17,859	0.3%	18,590	0.4%	18,190	0.2%	17,689	0.2%	17,876	0.2%
All Others [2]	10,640	0.1%	51,203	0.8%	11,921	0.2%	20,047	0.3%	1,649	0.0%	138,052	1.7%
Airport Total	**7,649,415**	**100.0%**	**6,812,707**	**100.0%**	**5,278,962**	**100.0%**	**7,314,288**	**100.0%**	**7,944,876**	**100.0%**	**7,977,232**	**100.0%**

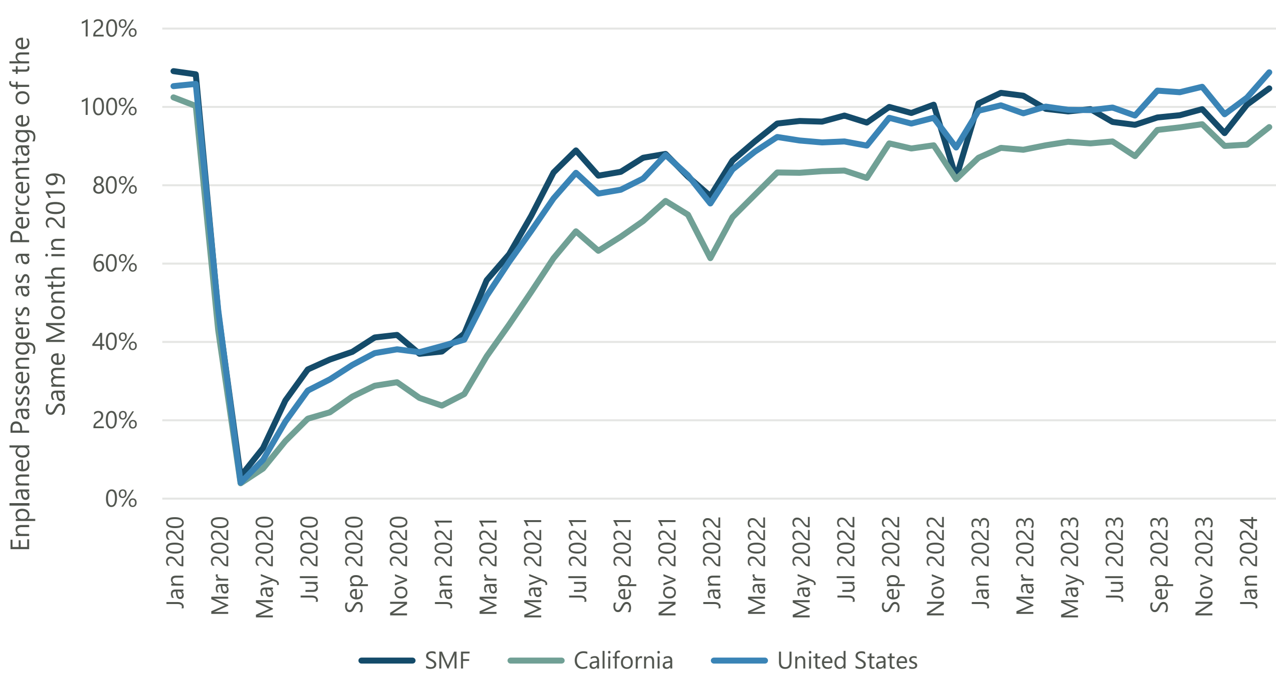
NOTES:
Totals may not sum due to rounding.
1 Includes regional/commuter affiliates.
2 Consists of airlines no longer serving the Airport, unaffiliated airlines, and/or charter airlines.
SOURCE: Sacramento County Department of Airports, July 2024

5.3.1 IMPACT OF THE COVID-19 PANDEMIC

The outbreak and spread of the COVID-19 pandemic severely curbed global aviation demand. The impact to air travel began in East Asia in December 2019 and rapidly accelerated to other regions of the world in March and April 2020. Airlines responded by reducing capacity across their networks due to decreased demand, travel restrictions, and border closures. May 2020 represented the low point in terms of passenger airline capacity offered, and airlines began to gradually restore capacity in June 2020. Several airlines suspended all service at the Airport at the onset of the pandemic, including Air Canada, which restored service in June 2022, and Hawaiian, which restored service in July 2020. Sun Country has not restored service that was suspended in August 2020. While other airlines suspended service on some routes in May 2020, most routes had been restored by December 2020. Total destinations served increased from 44 in FY 2019 to 47 in FY 2024. Nonstop service from the Airport launched after the onset of the COVID-19 pandemic includes Lihue Airport (LIH), Miami International Airport (MIA), Mexico City International Airport (MEX), Palm Springs International Airport (PSP), and Toronto Pearson International Airport (YYZ).

Exhibit 5-3 presents monthly revenue enplaned passengers as a percentage of the same month in 2019 for the Airport, all California airports, and total US airports to demonstrate the recovery in passenger activity through February 2024. The Airport's recovery has consistently outpaced the average for all California airports and generally outpaced the national average through March 2023.

EXHIBIT 5-3 ENPLANED REVENUE PASSENGER RECOVERY – SMF, CALIFORNIA, AND THE UNITED STATES

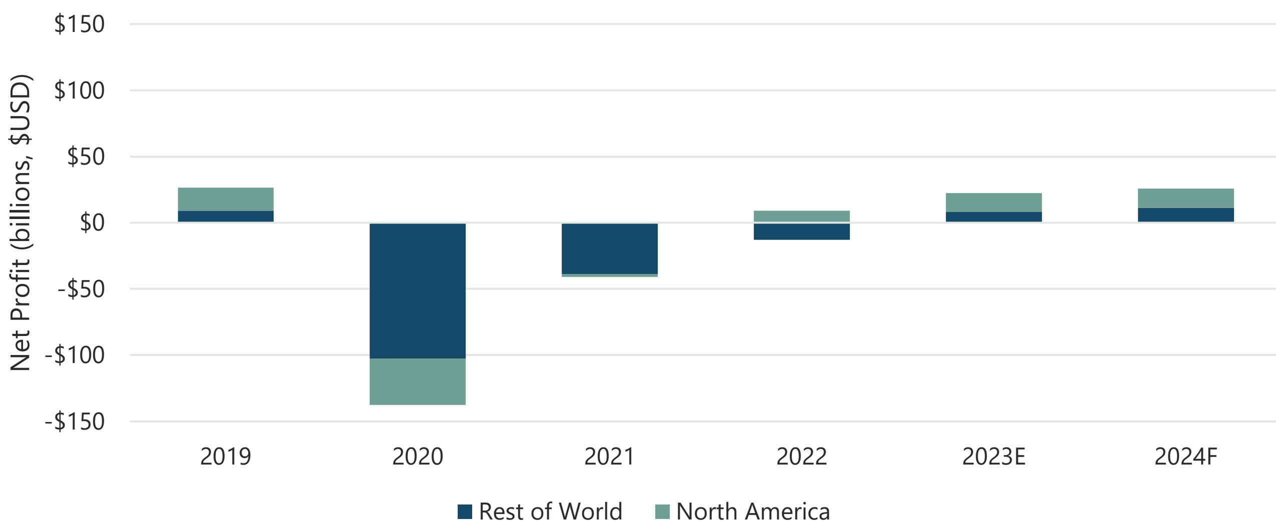


SOURCE: Cirium Diio, June 2024 (US Department of Transportation, T-100 data).

Globally, airlines experienced an operating loss of $137.7 billion in 2020, which lessened in 2021. In 2022, North American airlines returned to profitability, while airlines throughout the rest of the world are estimated to have returned to profitability in 2023.[71] **Exhibit 5-4** shows the airline profitability for North America and for the rest of the world from 2019 to 2024 (as projected).

At the onset of the COVID-19 pandemic many US airlines reduced their number of employees through involuntary furloughs as well as packages to incentivize early retirement. As demand returned, some airlines struggled to hire and train new pilots, flight attendants, mechanics, and other employees to support growth in operations, resulting in supply side constraints. Delayed delivery of new aircraft has further constrained airlines' ability to restore capacity in line with growth in demand.

EXHIBIT 5-4 NET PROFIT OF COMMERCIAL AIRLINES WORLDWIDE



NOTES: 2023E – Estimated; 2024F – Forecast
SOURCE: International Air Transport Association, *Global Outlook for Air Transport – December 2023 - Data Tables*, June 2024.

5.3.2 NATIONAL ECONOMY

Historically, trends in airline travel have been closely correlated with national economic trends, most notably changes in gross domestic product (GDP). Chapter 4 of this Report presents an analysis of the general economic trends, both national and local, that may influence demand for air service over time. National GDP is expected to increase approximately 3.7 percent annually through the Projection Period, which should support generally increasing demand for air service over the Projection Period. Actual economic activity may differ from this forecast, especially on a year-to-year basis. Demand for air service may be impacted by changes in economic performance.

5.3.3 MERGERS, ACQUISITIONS, AND NEW ENTRANT AIRLINES

US airlines have merged or acquired competitors to achieve operational and commercial synergies and to improve their financial performance. A wave of consolidation began in 2005 when America West Airlines merged with US Airways, retaining the US Airways brand for the consolidated airline. In 2009, Delta acquired Northwest Airlines. In

[71] International Air Transport Association, *Global Outlook for Air Transport – December 2023 – Data Tables*, https://www.iata.org/en/iata-repository/publications/economic-reports/industry-statistics-fact-sheet-december-2023/ (accessed May 9, 2024).

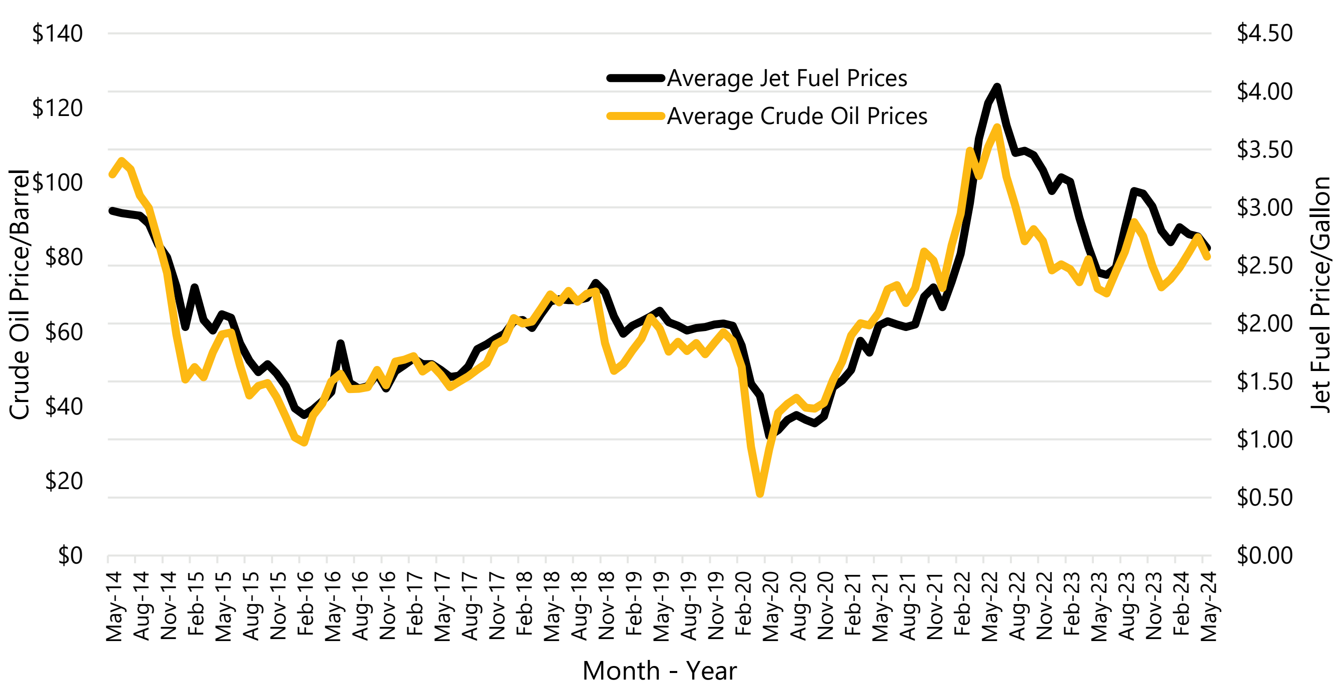
2010, United acquired Continental Airlines. In 2011, Southwest acquired AirTran Airways. In 2013, US Airways and American merged, with the consolidated airline retaining the American brand. The most recent consolidation occurred in 2016 when Alaska acquired Virgin America. The two airlines completed their integration in 2018.

In December 2023 Alaska announced its intention to acquire Hawaiian Airlines, subject to regulatory approval. Consolidation across the industry has resulted in the realignment of several airline route networks as airlines have sought efficiencies in their service. Further consolidation of the US airline industry could affect the amount of capacity offered at the Airport and could alter the competitive landscape. Over the last four years, two new airlines, Avelo and Breeze, have commenced operations in the US domestic passenger airline industry. Neither airline has commenced service to SMF.

5.3.4 COST OF AVIATION FUEL

As of the third quarter of calendar year (CY) 2024, jet fuel accounted for 20.8 percent of total airline operating costs, second only to labor, according to Airlines for America.[72] The average price of jet fuel peaked in June 2022 at $4.04 per gallon, having grown steadily since April 2020, which represented the lowest price observed during the historical period. Fluctuating fuel costs affect airline profitability, which could lead to air service changes as airlines adjust capacity and pricing to address changes in the cost of fuel. **Exhibit 5-5** shows the monthly averages for jet fuel and crude oil prices from May 2014 through May 2024.

EXHIBIT 5-5 HISTORICAL MONTHLY AVERAGES OF JET FUEL AND CRUDE OIL PRICES



SOURCE: US Bureau of Transportation Statistics, May 2024; US Energy Information Administration, July 2024.

[72] Airlines for America, *Passenger Airline Cost Index (PACI)*, http://airlines.org/dataset/a4a-quarterly-passenger-airline-cost-index-u-s-passenger-airlines/ (accessed May 9, 2024).

5.3.5 THREAT OF TERRORISM AND GEOPOLITICAL ISSUES

Since September 11, 2001, the recurrence of terrorism incidents against either domestic or world aviation has remained a risk to achieving forecast levels of activity. Tighter security measures have restored the public's confidence in the integrity of the US and global aviation security systems. However, any terrorist incident targeting aviation could have an immediate and significant impact on the demand for air travel.

Additionally, geopolitical issues may affect aviation activity during the Projection Period. Potential governmental or regional instability in certain countries or locations may affect access to, or demand for, aviation service in these places. At the time of this report, the Russian invasion of Ukraine, which began in February 2022, is still ongoing. Additionally, an escalation of conflict between Israel and Hamas, which began in October 2023, remains an evolving situation. Further developments in these conflicts could exacerbate geopolitical and economic uncertainty and potentially impact demand for travel to certain regions.

5.3.6 OTHER AIRPORTS IN THE REGION

Activity at the Airport could be affected by the availability and quality of air service at other airports in the region that have some catchment area overlap with SMF. Travelers consider factors such as the nonstop service offered, the price of service at the Airport, and the convenience of competing airports, when making travel decisions. Passenger leakage could occur if passengers in the ATA choose to use a competing airport instead of SMF. The following airports were evaluated as competitors of SMF for this analysis:

- San Francisco Bay Oakland International Airport (OAK) is located approximately 95 miles southwest of SMF in Oakland, California. During FY 2024, 13 airlines scheduled 129 average daily departures from OAK to 49 destinations, 13 of which are not served nonstop from SMF. OAK is primarily used by San Francisco Bay Area O&D passengers. However there is some overlap in the catchment areas of OAK and SMF in Napa County and Solano County.
- Charles M. Schulz Sonoma County Airport (STS) is located approximately 100 miles west of SMF in Sonoma County. During FY 2024 3 airlines scheduled 13 average daily departures from STS to 15 destinations, 4 of which are not served nonstop from SMF. STS is primarily used by O&D passengers traveling to and from the Northern San Francisco Bay Area, which includes Marin, Solano, Sonoma, and Napa counties, resulting in some overlap with SMF's catchment area.
- Reno-Taho International Airport (RNO) is located approximately 145 miles northeast of SMF in Reno, Nevada. In FY 2024, 11 airlines scheduled 59 average daily departures from RNO to 25 destinations, 2 of which are not served nonstop from SMF. SMF primarily competes with RNO for O&D passengers traveling to and from Lake Tahoe.

5.4 FORECAST OF PASSENGER DEMAND AND AIRLINE OPERATIONS

5.4.1 ACTIVITY FORECAST METHODOLOGY

Forecasts of Airport activity were developed for FY 2024 through FY 2030. The assumptions, techniques, and results of the forecast process are described in the following subsections.

5.4.1.1 SHORT TERM PASSENGER ACTIVITY FORECAST METHODOLOGY

The short-term passenger forecast was based on analysis of qualitative and quantitative factors, including published airline schedules, historical data, and assumptions based on industry trends, to forecast passenger activity for FY 2024 and FY 2025. The short-term forecast incorporates actual reported activity through May 2024, with published airline schedules used to estimate the period from March 2024 to December 2024. Departing seat capacity was forecast by airline and region by month from January 2025 through June 2025. Estimated load factors, also specific to the airline, region, and month, were applied to departing seat forecast to derive the enplaned passengers forecast. The assumptions used to develop the short-term forecast were based on recent trends and account for seasonality of demand as well the ongoing delays in the delivery of new aircraft, which has constrained airlines' capacity to accommodate demand.

5.4.1.2 LONG-TERM PASSENGER ACTIVITY FORECAST METHODOLOGY

The forecast of long-term O&D passenger demand activity was based on socioeconomic regression analysis techniques that identified predictive statistical relationships between the Airport's historical O&D passenger and several national and local socioeconomic variables sourced from Woods & Poole Economic, Inc. Socioeconomic variables incorporated in the regression analysis model include population, employment, total and net earnings, personal income, gross domestic product, and gross regional product.

Regression analysis was performed for the 20-year period between 2000 and 2019. Activity occurring in the period from 2020 to 2023 was not included in the regression analysis as it was influenced by pandemic-related factors that are not representative of typical factors driving aviation demand that are expected to influence future activity levels. Similarly, regressions were performed on a calendar year (CY) basis, aligning with the annual period for socioeconomic projections, with the forecast growth rates assumed to apply to a FY baseline in the long-term forecast methodology. Regression models were based on data prior to the onset of the COVID-19 pandemic, as the traditional relationships between socioeconomic variables and passenger volume have been normalizing following the period of disruption during the pandemic, with full passenger recovery at the Airport occurring in FY 2023, the base year for the Projection Period.

The resulting regression equations were then populated with independent projections of the relevant socioeconomic variables sourced from Woods & Poole, yielding a range of potential O&D passenger growth. **Table 5-9** shows the relationships selected for use in this forecast of O&D passengers and the resulting FY 2023 to FY 2024 CAGRs for each variable. Passenger growth was forecast using the average growth rate for all variables, which was applied to the FY 2025 enplaned passengers, as established in the short-term forecast. The forecast assumes that connecting passengers grow in line with O&D passengers. International enplaned passengers, which have historically represented less than 3 percent of total enplaned passengers, are forecast to grow in line with domestic enplaned passengers from FY 2025 through FY 2030.

TABLE 5-9 SOCIOECONOMIC REGRESSION ANALYSIS OUTPUTS – TOTAL O&D PASSENGERS

SOCIOECONOMIC VARIABLE	IMPLIED FY 2023 – FY 2030 CAGR
United States Population	2.9%
United States Total Employment	2.7%
United States Total Earnings	3.0%
United States Personal Income	3.2%
United States Net Earnings	3.1%
United States Gross Domestic Product	3.1%
Sacramento-Roseville CSA Population	2.9%
Sacramento-Roseville CSA Total Employment	1.8%
Sacramento-Roseville CSA Total Earnings	2.3%
Sacramento-Roseville CSA Personal Income	2.7%
Sacramento-Roseville CSA Net Earnings	2.3%
Sacramento-Roseville CSA Gross Regional Product	2.5%
Average	**2.7%**

NOTES:
CAGR – Compound Annual Growth Rate
FY – Fiscal Year
SOURCES: Woods & Poole Economics, Inc., June 2024 (socioeconomic projections); Ricondo & Associates, Inc., July 2024 (analysis).

5.4.1.3 OTHER ASSUMPTIONS INCORPORATED INTO THE ENPLANED PASSENGER FORECAST

The following assumptions were also incorporated into the forecasts:

- Airlines will continue their trend of upgauging to larger average aircraft sizes that can accommodate more passengers per operation at the Airport, resulting in operations growing at a slower rate than enplaned passengers.
- International O&D passenger demand growth will be accommodated through a combination of passengers utilizing domestic flight segments to access other major international gateways in the US (such as LAX or SEA), as well as new international nonstop flying.
- It is assumed that current ongoing constraints resulting from fleet availability and labor shortages will ease over time, with lessening impact in the longer-term portion of the Projection Period.
- For these analyses, and as with the FAA's assumptions for its nationwide forecasts, it is assumed neither terrorist incidents that materially impact US air traffic demand during the Projection Period will occur, nor will variants of COVID-19 or other pandemics emerge that would result in a similar reduction in air service as experienced at the onset of the pandemic.

5.4.2 PASSENGER VOLUME FORECAST

Table 5-10 presents the forecast of passenger activity at the Airport based upon the methodology described previously. Total annual enplaned passengers are forecast to increase from 6.6 million in FY 2024 to 7.8 million in FY 2030, which represents a 2.9 percent CAGR. Domestic enplaned passengers are forecast to grow at a CAGR of 2.9 percent versus 3.9 percent for international enplaned passengers.

5.4.3 PASSENGER AIRCRAFT OPERATIONS FORECAST

Passenger volume growth at the Airport is expected to be accommodated through a combination of larger aircraft, new flights, and increasing load factors. Passenger aircraft operations were forecast based on the enplaned passenger forecast. The forecast load factor was applied to the enplaned passenger forecast to derive a forecast of departing seats. Departing seats were divided by a forecast of average seats per departure to derive the forecast of passenger airline operations. The average load factor forecast was based on an analysis of recent trends, with future growth reflecting ongoing improvements in processes and tools that airlines use to more efficiently manage seat inventory. The average seats per departure forecast was based on an analysis of airlines' current and expected future fleets. **Table 5-11** presents the historical and forecast enplaned passengers, average load factor, departing seats, average seats per departure, and passenger airline operations.

Average load factor is forecast to remain between 79 percent and 81 percent from FY 2024 to FY 2030 while average seats per departure are forecast to increase from 144 in FY 2024 to 149 in FY 2030. Passenger airline operations are forecast to increase from 112,656 in FY 2024 to 129,249 in FY 2030, which represents a CAGR of 2.3 percent compared to a CAGR of 2.9 percent for enplaned passengers during the same period. Enplaned passengers are forecast to increase at a faster rate than passenger airline operations as increases in average load factor and average seat size are expected to enable growth in enplaned passengers per operation.

TABLE 5-10 ENPLANED PASSENGER FORECAST

FISCAL YEAR	DOMESTIC ENPLANED PASSENGERS	INTERNATIONAL ENPLANED PASSENGERS	TOTAL ENPLANED PASSENGERS	ANNUAL GROWTH
Historical				
2014	4,311,133	65,104	4,376,237	
2015	4,546,641	83,204	4,629,845	5.8%
2016	4,846,744	96,441	4,943,185	6.8%
2017	5,078,528	119,656	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	4,813,906	127,028	4,940,934	-21.6%
2021	3,093,443	116,727	3,210,170	-35.0%
2022	5,625,842	167,739	5,793,581	80.5%
2023	6,258,484	184,770	6,443,254	11.2%
2024	6,400,198	196,958	6,597,156	2.4%
Forecast				
2025	6,622,933	216,927	6,839,860	3.7%
2026	6,812,638	223,140	7,035,778	2.9%
2027	7,002,641	229,364	7,232,005	2.8%
2028	7,193,041	235,600	7,428,641	2.7%
2029	7,384,198	241,861	7,626,059	2.7%
2030	7,576,222	248,151	7,824,373	2.6%
Compound Annual Growth Rate				
2014 – 2019	7.3%	18.7%	7.6%	
2014 – 2024	4.0%	11.7%	4.2%	
2024 – 2030	2.9%	3.9%	2.9%	

SOURCES: Sacramento County Department of Airports, July 2024 (historical data); Ricondo & Associates, Inc., July 2024 (forecast).

TABLE 5-11 PASSENGER AIRCRAFT OPERATIONS FORECAST

FISCAL YEAR	ENPLANED PASSENGERS	AVERAGE LOAD FACTOR	DEPARTING SEATS	AVERAGE SEATS PER DEPARTURE	PASSENGER AIRLINE OPERATIONS
Historical					
2014	4,376,237	79%	5,546,714	125	88,746
2015	4,629,845	80%	5,800,467	131	88,294
2016	4,943,185	82%	6,052,685	132	91,960
2017	5,198,184	81%	6,430,320	135	95,532
2018	5,761,586	81%	7,099,113	135	105,008
2019	6,298,447	81%	7,742,326	138	112,008
2020	4,940,934	70%	7,084,204	142	99,784
2021	3,210,170	64%	5,024,087	143	70,374
2022	5,793,581	79%	7,331,776	143	102,322
2023	6,443,254	78%	8,275,783	148	111,564
2024	6,597,156	81%	8,180,106	145	112,656
Forecast					
2025	6,839,860	79%	8,610,176	144	119,871
2026	7,035,778	80%	8,812,739	145	121,843
2027	7,232,005	80%	9,013,458	146	123,762
2028	7,428,641	81%	9,212,469	147	125,632
2029	7,626,059	81%	9,410,241	148	127,460
2030	7,824,373	81%	9,606,917	149	129,249
Compound Annual Growth Rate					
2014 – 2019	7.6%	0.8%	6.7%	1.8%	4.8%
2014 – 2024	4.2%	0.1%	4.3%	1.7%	2.6%
2024 – 2030	2.9%	0.0%	2.9%	0.6%	2.3%

SOURCES: Sacramento County Department of Airports, July 2024 (historical data); Cirium Diio, April 2024 (published airline schedules and US Department of Transportation T-100 data); Ricondo & Associates, Inc., July 2024 (forecast).

5.4.4 OTHER OPERATIONS FORECAST

Historical cargo activity at the Airport, both cargo volume and all-cargo aircraft operations, was analyzed to identify predictive patterns with local and national socioeconomic variables. As no predictive patterns were identified, the all-cargo operations forecast was based on forecast average growth rates for total United States cargo operations in the Federal Aviation Administration (FAA) 2023 Aerospace Forecast. Predictive patterns were not identified in the analysis of historical general aviation or air taxi operations and the FAA 2023 Aerospace Forecast was also used to establish growth rates for these categories of operations based on forecast national growth rates. Miliary operations are forecast to remain constant at FY 2023 levels.

Table 5-12 presents the historical and forecast passenger airline, cargo, general aviation, air taxi, and military operations. Total operations are forecast to increase from 140,771 in FY 2024 to 159,510 in FY 2030, which represents a CAGR of 2.1 percent.

TABLE 5-12 AIRCRAFT OPERATIONS FORECASTS

FISCAL YEAR	PASSENGER AIRLINES	ALL-CARGO	GENERAL AVIATION / OTHER AIR TAXI	MILITARY	TOTAL
Historical					
2014	88,746	4,996	10,172	4,800	108,714
2015	88,294	5,022	10,581	3,205	107,102
2016	91,960	5,420	10,405	2,256	110,041
2017	95,532	5,568	9,837	1,323	112,260
2018	105,008	7,050	11,253	2,184	125,495
2019	112,008	8,202	11,730	2,654	134,594
2020	99,784	8,216	9,648	2,109	119,757
2021	70,374	9,126	10,688	3,341	93,529
2022	102,322	8,732	10,355	3,365	124,774
2023	111,564	7,946	12,190	2,402	134,102
2024	112,656	7,902	18,214	1,999	140,771
Forecast					
2025	119,871	8,143	18,494	1,999	148,507
2026	121,843	8,474	18,051	1,999	150,367
2027	123,762	8,815	18,039	1,999	152,615
2028	125,632	9,147	18,189	1,999	154,967
2029	127,460	9,471	18,339	1,999	157,269
2030	129,249	9,770	18,492	1,999	159,510
Compound Annual Growth Rate					
2014 – 2019	4.8%	10.4%	2.9%	-11.2%	4.4%
2014 – 2024	2.4%	4.7%	6.0%	-8.4%	2.6%
2024 – 2030	2.3%	3.6%	0.3%	0.0%	2.1%

SOURCES: Sacramento County Department of Airports, July 2024 (historical passenger airline and all-cargo operations); Federal Aviation Administration, Operations Network, July 2024 (historical general aviation / other air taxi, military, and total operations); Ricondo & Associates, Inc., July 2024 (forecast operations).

5.4.5 LANDED WEIGHT FORECASTS

Table 5-13 presents historical and forecast landed weight at the Airport. Changes in passenger airline landed weight have historically been well-correlated with changes in passenger airline departing seat capacity. Passenger airline landed weight is forecast to increase in line with growth in departing seat capacity. All-cargo landed weight is forecast to increase in line with growth in all-cargo aircraft operations under the assumption that average all-cargo aircraft size will not meaningfully change during the forecast period. As shown, passenger airline landed weight is forecast to increase from 7.4 million thousand-pound units in FY 2024 to 8.7 million thousand-pound units in FY 2030, which represents a CAGR of 2.8 percent. All-cargo landed weight is forecast to increase from 0.6 million thousand-pound units in FY 2024 to 0.7 million thousand-pound units in FY 2030, which represents a CAGR of 3.6 percent.

TABLE 5-13 LANDED WEIGHT FORECASTS (IN 1,000 POUND UNITS)

FISCAL YEAR	PASSENGER AIRLINES	ALL-CARGO AIRLINES	TOTAL
Historical			
2014	5,046,486	290,138	5,336,624
2015	5,138,572	283,045	5,421,617
2016	5,407,173	311,112	5,718,284
2017	5,754,610	333,458	6,088,067
2018	6,412,817	540,649	6,953,466
2019	6,933,000	716,415	7,649,415
2020	6,079,722	732,985	6,812,707
2021	4,430,248	848,714	5,278,962
2022	6,567,702	746,587	7,314,288
2023	7,354,536	590,340	7,944,876
2024	7,379,713	597,519	7,977,232
Forecast			
2025	7,800,628	615,723	8,416,352
2026	7,984,146	640,758	8,624,905
2027	8,165,993	666,555	8,832,547
2028	8,346,292	691,659	9,037,951
2029	8,525,470	716,129	9,241,599
2030	8,703,654	738,756	9,442,410
Compound Annual Growth Rate			
2014 – 2019	6.6%	19.8%	7.5%
2014 – 2024	3.9%	7.5%	4.1%
2024 – 2030	2.8%	3.6%	2.9%

SOURCES: Sacramento County Department of Airports, July 2024 (historical data); Ricondo & Associates, Inc., July 2024 (forecast).

6. FINANCIAL ANALYSIS

This chapter presents the financial structure of the County and further provides historical (FY 2019 – FY 2024),[73] and projected (FY 2025 Budget – FY 2030) financial information. The analysis supporting this chapter incorporates estimated impacts of the Capital Program, including the Series 2024 Projects, on projected Operating Expenses;[74] airline and nonairline revenues; debt service requirements, including the issuance of the Series 2024 Bonds; and anticipated future bond issuances. The resulting airline cost per enplaned passenger and projected application of Revenues are discussed, and debt service coverage throughout the Projection Period is calculated pursuant to the Indenture. **Appendix A** of this Report includes the financial analysis performed by Ricondo including financial information through the Projection Period.

6.1 FINANCIAL FRAMEWORK

The Airport is owned by the County and operated by the Department. The County maintains the financial records and accounts of the Airport in accordance with generally accepted accounting principles, and as required by the provisions of various legal agreements, including the Indenture and the Airline Agreement. The County reports the Department's financial operations as an enterprise activity, and as such, its financial statements are presented using the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Operating revenues include charges for services and tenant rent. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Neither the County nor State of California tax revenues are pledged to the payment of Net Debt Service or to fund the cost of operations at the Airport. The County's FY ends June 30.

6.1.1 THE AIRLINE AGREEMENT

Effective July 1, 2017, the County entered into the Airline Agreement, which establishes the operational and financial requirements that airlines agree to follow when conducting air transportation business at the Airport.[75] The Airline Agreement is in accordance with the FAA Policy Regarding the Establishment of Airport Rates and Charges[76] and replaces the Sacramento County Airline Ordinance, which had previously been in effect since May 1, 2008. The Airline Agreement expires June 30, 2027. For purposes of this Report, it is assumed that the Airline Agreement or subsequent agreement with similar provisions, will be in place through the Projection Period.

The County has existing Airline Agreements with 10 passenger airlines (signatory airlines): American Airlines, Air Canada, Delta Air Lines, United Airlines, Alaska Airlines, Frontier Airlines, Hawaiian Airlines, JetBlue Airways,

---

[73] Values referenced for FY 2024 are estimated. Estimated FY 2024 values are actual for 12 months ending June 2024, including accruals, but not including adjustments.

[74] Operating expenses include all costs paid or incurred by the County for maintaining and operating the Airport System, excluding any payments of debt service, depreciation, replacement and obsolescence charges or reserves, and amortization of intangibles or any other bookkeeping entries of a similar nature.

[75] On May 9, 2017, the Sacramento County Board of Supervisors adopted the resolution authorizing the Director of Airports to execute the Airline Agreement, which became effective July 1, 2017.

[76] US Department of Transportation, Federal Aviation Administration, "Policy Regarding Airport Rates and Charges," *Federal Register*, https://www.govinfo.gov/content/pkg/FR-2013-09-10/pdf/2013-21905.pdf (assessed October 25, 2021).

Southwest Airlines, and Spirit Airlines. Cargo airlines FedEx Express and United Parcel Service (UPS Airlines) are also signatory to the Airline Agreement. Key provisions of the Airline Agreement include the following:

- **Rolling Debt Service Coverage.** This provision offsets the current year's debt service coverage requirement for Airline cost centers with the prior year's coverage.
- **Review of Capital Expenditures.** The County must notify the signatory airlines of any capital expenditure in one or more of the airline cost centers that is anticipated to be funded with $10 million or more in County funds or bond proceeds (net of PFCs, CFC, grants, or insurance proceeds). The County may proceed with such a capital expenditure unless a Majority In Interest (MII)[77] of the signatory airlines opposes the project. Opposed net capital expenditures less than $18 million must be deferred by one year, while opposed net capital expenditures greater than $18 million must be deferred by two years, after which the County may proceed with the capital project.

  With regard to the SMForward projects, the Pedestrian Walkway project received no MII opposition from the signatory airlines and the Concourse B Expansion project received unanimous MII approval in January 2024. The Terminal A Exit Roadway, Ground Transportation Center, and ConRAC projects do not require MII consideration. The Terminal A Expansion project has not yet been presented to the signatory airlines for MII consideration.
- **Non-Signatory Airlines.** Airlines not signing the Airline Agreement are assigned space on a month-to-month basis, pay a premium on rentals and fees, and have no right to vote on capital projects. Currently, Aeromexico is the only non-signatory scheduled passenger airline operating at the Airport.
- **Year-end Settlement.** Rates and charges are recalculated annually based on audited financial data, with any overpayment refunded or any shortage invoiced to signatory airlines.
- **Revenue-Sharing.** At the end of each FY, in conjunction with the Settlement, the County shares with the signatory airlines 40 percent of net remaining revenues, which is equal to total revenues less O&M expenses and debt service. Each airline's portion of the revenue-sharing is equal to the airline's proportionate share of total signatory airlines' enplaned passengers. For revenue-sharing calculation purposes, parking revenue is used first for all O&M and debt service expenses not located in an airline cost center. No portion of a revenue share comprises parking revenue.
- **Extraordinary Coverage Protection.** In exchange for the revenue sharing provision, the signatory airlines are required to make payments through rates and charges to ensure sufficient net revenues each FY to comply with the minimum rate covenant requirements in the Indenture. These payments are refunded to the signatory airlines when uncommitted funds become available.

6.1.2 AIRPORT RATES AND CHARGES

The Airline Agreement establishes the following cost centers for use in determining the allocation of revenues, expenses, and debt service for Airport operations as well as the calculation of certain airline rates, fees, and charges described later in this section:

- **Airfield Area.** Those areas on the Airport that provide for the landing, takeoff, taxiing, parking (other than in the Apron Area), or other operations of aircraft. The Airfield Area includes the runways, taxiways, approach and clear zones, safety zones, infield areas, landing and navigational aids, and other facilities and land areas

[77] MII of airlines means signatory airlines who together had at least 75 percent of the signatory airlines' total maximum gross landing weight during the preceding FY or signatory airlines who together had at least 75 percent of the signatory airline' enplaned passengers during the immediately preceding FY.

(including but not limited to runway protection zones and noise protection zones as established by the County) at the Airport required by or related to aircraft operations.

- **Airline Systems and Equipment.** County-owned systems and equipment provided, operated, or maintained by the County for use by airline tenants, including but not limited to systems and equipment for passenger processing, flight and baggage information display and baggage handling.
- **Apron Area.** Areas dedicated to parking, servicing, and ground handling of aircraft at the Airport.
- **Cargo Apron Area.** Areas dedicated to parking of cargo aircraft at the Airport.
- **Loading Bridges.** Any loading bridges owned or leased by County serving aircraft at the terminal buildings.
- **Terminal Building.** The terminal buildings associated concourses and associated curbside entrance areas, together with the automated people mover, at the Airport.
- **Rental Car.** The rental car facilities, ready/return areas, and storage facilities at the Airport, including but not limited to the rental car shuttle bus operations.
- **Other Buildings and Areas.** Those portions of the Airport not included in the preceding cost centers, including the facilities, installations and improvements thereon, and any other interest owned by the County in real property with regard to the Airport.
- **Parking.** The public parking garage and associated access ramps, surface lots, and other automobile parking areas; employee parking lots; and associated ground transportation service area at the Airport.
- **Roadways.** The public roadway system within Airport property that provides access to the Terminal Building, Parking areas, and other facilities and areas at the Airport.
- **Reliever Airports.** The system of reliever airports, owned or operated by County. The Reliever Airports currently include Executive Airport and Mather Airport.
- **Franklin Field.** The general aviation airport owned by the County.
- **Indirect Cost Centers.** The County incurs certain indirect expenses, which are allocated to the cost centers based on the relative estimated use by cost center. Indirect cost centers include Administrative and Roadways. Administrative costs are reallocated in proportion to the above cost centers. Roadway costs are allocated 25 percent to the Airfield Area cost center, 25 percent to the Terminal Building cost center, and 50 percent to the Parking cost center.

Airline cost centers are those that affect the calculation of rates and charges. These cost centers include Airfield Area, Airline Systems and Equipment, Apron Area, Cargo Apron Area, Loading Bridges, and Terminal Building. As noted above, a significant percentage of costs allocated to indirect cost centers are ultimately allocated to airline cost centers.

Under the Airline Agreement, signatory airlines pay rental fees and charges based on a hybrid rate-setting methodology for the airline cost centers. In accordance with the Airline Agreement, airlines at the Airport pay various rates and fees to the County. The residual signatory landing fee is charged at a rate per 1,000 pounds of aircraft landed weight. Non-signatory airlines pay 120 percent of the signatory rate. Terminal rental rates are established through a commercial compensatory rate-setting methodology. Terminal rentals include airline exclusive use space, preferential use space, and joint use space, and exclude public spaced such as that used for circulation and restrooms. These rentals are paid based on a rate per square foot of rented space. Per use (or common use) fees are also charged for baggage makeup space, gates, and ticket counters for use of those areas that are designated as per use/common use space. Airlines also pay a Federal Inspection Service (FIS) fee of $5.00 per arriving international passenger. Passenger and cargo airlines pay monthly parking position fees for use of designated aircraft parking positions of the terminal or cargo apron. Fees are also charged for use of remain-overnight (RON) parking positions as a daily rate per position occupied. Loading bridge fees are paid based on the number of bridges leased by the airline.

6.2 OPERATING EXPENSES

Operating Expenses include those expenses associated with operating and maintaining the Airport System, including the airfield, terminal, and landside facilities. Historical, budgeted, and projected O&M Expenses are described in the following sections of this Report.

6.2.1 HISTORICAL OPERATING EXPENSES

Table 6-1 presents the historical Operating Expenses from FY 2019 – FY 2024. The County's O&M Expenses for the Airport System increased from approximately $102.7 million in FY 2019 to approximately $151.8 million in FY 2024, reflecting a CAGR of 8.1 percent over the past 6 years. Operating Expenses per enplaned passenger have increased at a CAGR of 7.1 percent from FY 2019 through FY 2024, which includes the reduction in enplaned passengers associated with the COVID-19 pandemic in FY 2020 and FY 2021.

TABLE 6-1 HISTORICAL OPERATING EXPENSES – FY 2019 THROUGH FY 2024

(Fiscal Years Ending June 30)

OPERATING EXPENSES BY CATEGORY	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 (ESTIMATED)[1]	CAGR (FY 2019-FY 2024)
Salaries and Benefits	$33,220,862	$40,117,500	$41,776,413	$43,604,416	$47,134,200	50,560,565	8.8%
Professional Services	$15,249,588	$16,355,520	$15,966,248	$15,811,737	$20,490,504	22,854,254	8.4%
Contracted Services	$11,186,350	$11,806,713	$13,449,729	$13,657,437	$14,819,696	18,218,300	10.2%
Law Enforcement	$9,930,809	$11,470,946	$11,899,927	$11,791,313	$12,900,709	13,822,209	6.8%
Other Services	$191,396	$634,994	$1,055,295	$227,880	$276,552	358,745	13.4%
Supplies	$3,903,923	$4,403,696	$4,050,042	$4,890,753	$5,746,746	6,271,148	9.9%
Utilities	$6,004,175	$5,802,907	$5,772,680	$6,672,378	$7,324,766	6,853,624	2.7%
Technical Services & Supplies	$918,734	$1,074,966	$883,461	$1,242,429	$1,576,024	1,613,685	11.9%
Insurance	$1,121,902	$1,090,325	$188,477	$276,403	$214,428	216,154	-28.1%
County Services	$7,635,038	$8,219,812	$7,577,260	$8,829,460	$9,203,956	10,720,696	7.0%
County Allocated Costs	$3,943,358	$4,310,186	$5,756,747	$6,424,162	$7,240,181	8,081,335	15.4%
Other Costs	$4,387,647	$4,384,312	$3,105,168	$4,823,748	$5,548,956	7,259,224	10.6%
Cost of Goods Sold	$680,942	$558,780	$493,926	$861,995	$860,635	1,019,957	8.4%
M&O Projects	$4,304,044	$4,741,489	$1,804,200	$2,798,987	$8,059,713	3,977,373	-1.6%
Total Operating Expenses	**$102,678,768**	**$114,972,145**	**$113,779,573**	**$121,913,099**	**$141,397,066**	**$151,827,271**	**8.1%**
Enplaned Passengers	6,298,447	4,940,934	3,210,170	5,793,581	6,443,254	6,597,156	0.9%
O&M Expenses per Enplaned Passenger	$16.30	$23.27	$35.44	$21.04	$21.94	$23.01	7.1%

NOTES:
FY – Fiscal Year; CAGR – Compound Annual Growth Rate; M&O – Maintenance and Operation
1 FY 2024 Operating Expenses are actual through June 2024, including accruals, but not including adjustments.
SOURCE: Sacramento County Department of Airports, August 2024.

6.2.2 OPERATING EXPENSES RELATED TO SMFORWARD

The completion of the SMForward projects is expected to result in an increase in annual Operating Expenses given the increased size of the various projects. While the County intends to incorporate new energy efficient materials, systems, and fixtures in the new/expanded facilities, the overall growth in the footprint of the facilities relative to current facilities will translate to higher custodial, personnel, and other operating costs. For purposes of the financial analysis included in this Report, the following additional Operating Expenses were assumed for purposes of this analysis:

- **Pedestrian Walkway** – Total allocated Terminal Building Operating Expenses for FY 2023 was approximately $62.6 million, which equates to $58.88 per square-foot with a total current terminal area of 1,063,925 square feet. The project is assumed to comprise 87,471 square feet. Expense categories assumed to be applicable to this new space include Contracted Services, Supplies, Utilities, and Insurance, which equates to approximately 20 percent of Operating Expenses in FY 2023. After application of this applicability factor, approximately $1.0 million of additional Operating Expenses to the Terminal Building cost center was assumed to begin in FY 2027 and increase at a rate of 3.0 percent per year through the Projection Period. The estimated additional facility space was also added to Secured Walkway space for the Airport beginning in FY 2027, which is categorized as usable, but not rentable space.
- **Terminal B Parking Garage** – Total allocated Parking Operating Expenses for FY 2023 was approximately $35.4 million, which, assuming approximately 20,000 total parking spaces at the Airport, equates to approximately $1,800 in Operating Expenses per space. A factor of 50 percent was applied to this amount to account for expense categories that would not be expected to increase due to the project. Assuming an additional 5,500 parking spaces in the new garage, resulting additional Operating Expenses are approximately $4.9 million in FY 2027 to the Parking cost center, increasing at a rate of 3.0 percent per year through the Projection Period.
- **Terminal A Exit Roadway** – No additional Operating Expenses were assumed for this project.
- **Ground Transportation Center** – The expense rate of $58.88 per square-foot calculated for additional terminal space was assumed to apply to the GTC, although this amount was discounted by 50 percent to account for expense categories that would not be expected to increase due to the project. Assuming a facility area of 50,000 square feet, additional Operating Expenses of approximately $1.5 million to the Ground Transportation cost center were assumed to begin in FY 2028, increasing at a rate of 3.0 percent per year through the Projection Period.
- **Concourse B Expansion** – Terminal space expense of $58.88 per square-foot with an applicability factor of 20 percent, was used to estimate additional Operating Expenses for the Concourse B expansion project. Additional space associated with the project was estimated assuming six new gates at 2,800 square feet per gate, for total of 16,800 square feet of additional leased preferential holdroom space. The resulting additional Terminal Building Operating Expenses is approximately $198,000 beginning in FY 2029, increasing at a rate of 3.0 percent per year through the Projection Period.
- **Terminal A Expansion** – Terminal space expenses of $58.88 per square-foot with an applicability factor of 20 percent, was used to estimate additional Operating Expenses for the Terminal A expansion project. Although this project is not fully defined, it was assumed that the project would add 5,000 square feet of leased ticket counter space and 10,000 square feet of Joint Use baggage screening space. The resulting additional Terminal Building Operating Expenses is approximately $177,000 beginning in FY 2029, increasing at a rate of 3.0 percent per year through the Projection Period.

- **Rental Car Facility** – Additional Operating Expenses are anticipated to be incurred with the opening of the new ConRAC in FY 2028. However, since the California CFC statute does not allow for CFC revenue to pay or reimburse rental car facility Operating Expenses, these costs are instead assumed to be paid by the rental car companies that operate at the new facility. Therefore, there is no anticipated cash flow impact from incremental cost increases with the new facility is assumed in the financial analysis. The ConRAC will be a walkable distance from the terminal buildings and therefore, the project will reduce Operating Expenses through the elimination of rental car-related busing.

Resulting additional Operating Expenses due to completion of the SMForward projects is estimated, for purposes of this Report, to total approximately $5.9 million in FY 2027, increasing to approximately $8.4 million in FY 2030.

6.2.3 OPERATING EXPENSE PROJECTIONS

Estimated actual operating expenses for FY 2024 serve as the base from which Operating Expenses are projected.[78] Operating Expenses are projected to increase based on the type of expenditure, expectations of future inflation rates, and operational impacts of the SMForward projects completed during the Projection Period.

As shown in Table A-1 of Appendix A of this Report, Estimated FY 2024 Operating Expenses totaling approximately $151.8 million are projected to increase 9.1 percent to $165.6 million in FY 2025. FY 2025 Operating Expenses are expected to increase to approximately $217.8 million in FY 2030 reflecting a CAGR of 5.6 percent. Projected growth in Operating Expenses generally assumes annual inflation of 3.0 percent and is inclusive of the increases assumed from FY 2027 to FY 2030 due to completion of SMForward projects.[79] Categories of Operating Expenses and associated projection assumptions are described in the following subsections. Assumed annual increases in Operating Expenses are based on historical results and input from Department staff.

6.2.3.1 SALARIES AND BENEFITS

Salaries and benefits include Department staff compensation and benefits. Expenditures for salaries, wages, and employee benefits, which accounted for 33.3 percent of total Operating Expenditures estimated in FY 2024, are assumed to increase 10.8 percent in FY 2025 due to general wage increases and filling of certain vacant positions. Through the Projection Period of FY 2025 through FY 2030, these Operating Expenses are assumed to increase at an annual rate of 6.0 percent.

6.2.3.2 PROFESSIONAL SERVICES

Professional services expenditures include outside legal and consulting services, as well as accounting and finance fees, and other services, and can be expected to decrease upon completion of the ConRAC. Shuttle bus operating costs accounted for approximately 42.6 percent of these expenses for Estimated FY 2024. In total, professional services accounted for 15.1 percent of the total Operating Expenses for Estimated FY 2024 and are assumed to increase at an annual rate of 4.0 percent through the Projection Period.

[78] Estimated FY 2024 Operating Expenses are actual for 12 months ending June 2024, including accruals, but not including adjustments.

[79] For purposes of this Report, additional Operating Expenses resulting from completion of the SMForward projects are included in appropriate cost centers, but are presented as a separate expense category and not included in the projection of individual expense categories described in this section.

6.2.3.3 CONTRACTED SERVICES

Contracted services include services such as building and equipment maintenance, custodial, recycling, and other services. Mechanical systems maintenance and custodial services accounted for approximately 58.2 percent and 33.8 percent of these expenses, respectively, for Estimated FY 2024 (approximately 92.0 percent combined). Contracted services account for 12.0 percent of the total Operating Expenses estimated in FY 2024 and are assumed to increase at an annual rate of 6.0 percent through the Projection Period.

6.2.3.4 LAW ENFORCEMENT

Law enforcement expenditures include Sheriff services, which accounted for 9.1 percent of the total Operating Expenses for Estimated FY 2024 and are assumed to increase at an annual rate of 3.0 percent through the Projection Period.

6.2.3.5 OTHER SERVICES

Other services include fire crash rescue services and support, medical services, advertising services, printing, and other services. Other services accounted for 0.2 percent of the total Operating Expenses for Estimated FY 2024 and are assumed to increase at an annual rate of 5.0 percent through the Projection Period.

6.2.3.6 SUPPLIES

Supplies consist of various maintenance materials and supplies needed for the Department and its personnel, and other miscellaneous operating expenditures incurred by the County. Custodial and fuel supplies are the largest expenses in this category, comprising a combined total of 48.1 percent of total supply expenses for Estimated FY 2024. In total, supplies accounted for 4.1 percent of total Estimated FY 2024 Operating Expenses and are assumed to increase at an annual rate of 5.0 percent through the Projection Period.

6.2.3.7 UTILITIES

Utilities expenditures include electricity, natural gas, trash collection, sewage disposal, telephone, water, and cellphone expenditures. Electricity expenses account for approximately 62.5 percent of total utilities expenses for Estimated FY 2024. Utilities expenses accounted for 4.5 percent of total Estimated FY 2024 Operating Expenses and are assumed to increase at an annual rate of 5.0 through the Projection Period.

6.2.3.8 TECHNICAL SERVICES AND SUPPLIES

Technical Services and Supplies expenditures include information technology equipment and support services. Hardware and software expenses accounted for approximately 73.0 percent of these expenses for Estimated FY 2024. Technical services and supplies expenditures accounted for 1.1 percent of total Estimated FY 2024 Operating Expenses and are assumed to increase at an annual rate of 4.0 percent through the Projection Period.

6.2.3.9 INSURANCE

Insurance premiums account for 0.1 percent of the total Operating Expenses for Estimated FY 2024 and are assumed to remain fixed at this level through the Projection Period.

6.2.3.10 COUNTY SERVICES

County Services accounted for 7.1 percent of the total Operating Expenses for Estimated FY 2024 and mostly includes work performed by the County for the Department. These expenses are assumed to increase at an annual rate of 4.0 percent through the Projection Period.

6.2.3.11 COUNTY ALLOCATED COSTS

County Allocated Costs include County-wide costs that are allocated to the Department (and other County departments) based on the number of full-time equivalent (FTE) employees and property value. These costs accounted for 5.3 percent of the total Operating Expenses for Estimated FY 2024 and are assumed to increase at an annual rate of 5.0 percent through the Projection Period.

6.2.3.12 OTHER COSTS

Other Costs include a broad range of miscellaneous expenses. Credit card fees associated with the parking operation comprised approximately a third of these costs for Estimated FY 2024. Other Costs accounted for 4.8 percent of the total Operating Expenses in Estimated FY 2024 and are assumed to increase at an annual rate of 5.0 percent through the Projection Period.

6.2.3.13 COST OF GOODS SOLD

Cost of Goods Sold accounted for 0.7 percent of the total Operating Expenses for Estimated FY 2024 and are assumed to increase at an annual rate of 3.0 percent through the Projection Period.

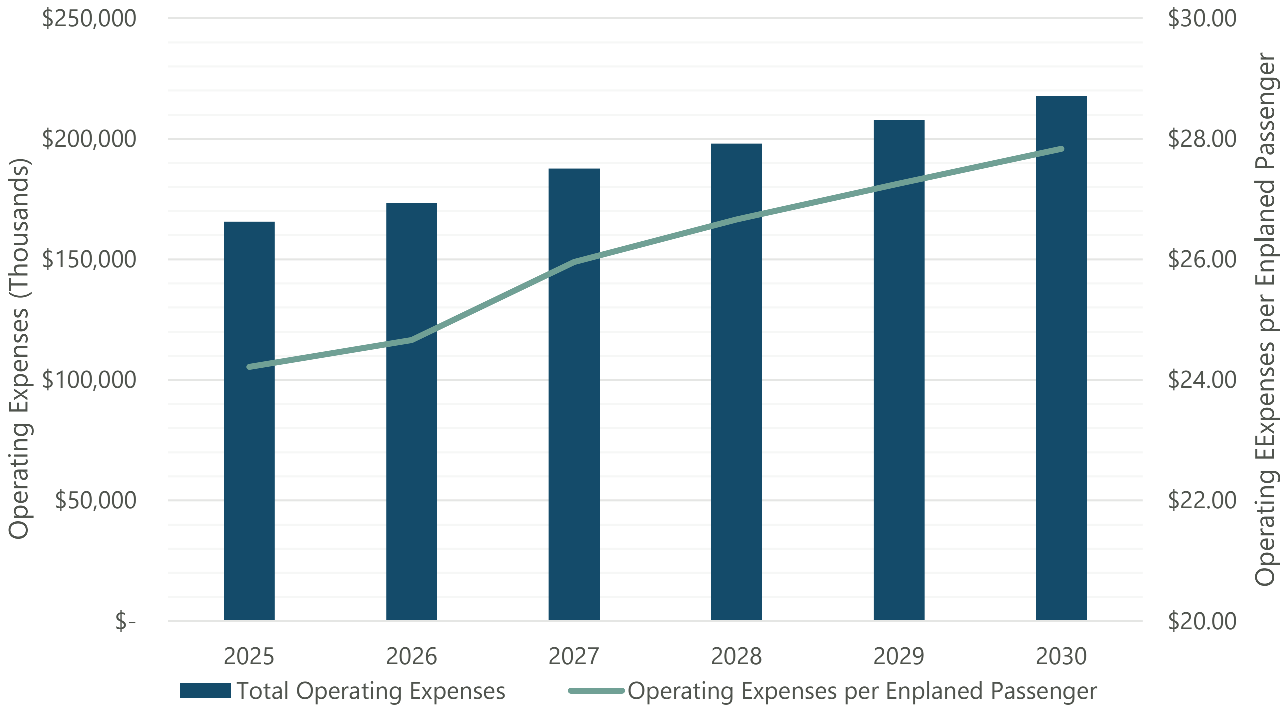
6.2.3.14 MAINTENANCE AND OPERATIONS PROJECTS

The Department undertakes Maintenance and Operations (M&O) Projects annually, which generally include expenditures less than $0.5 million for items such as equipment acquisition/replacement, furniture, generators, information equipment and projects, and building maintenance. The number and cost of M&O Projects fluctuates year-to-year based on the needs of the Department. M&O Projects totaled approximately $4.0 million for Estimated FY 2024. Based on discussions with Department staff, M&O Projects are projected to be fixed at $8.0 million per year through the Projection Period.

6.2.3.15 OPERATING EXPENSES PROJECTIONS

For the Projection Period, Operating Expenses are anticipated to increase based on inflation, the County's contractual obligations, consideration of historical operating results, and impacts associated with the completion of SMForward projects. **Exhibit 6-1** presents expected Operating Expenses for the Projection Period. As shown, total Operating Expenses are projected to increase from $165.6 million in FY 2025 to $217.8 million in FY 2030, representing a CAGR of 5.6 percent, including increases due to completion of SMForward projects beginning in FY 2027. Operating Expenses per enplaned passenger is projected to increase at a CAGR of 2.8 percent during the Projection Period. Total Operating Expenses per enplaned passenger is projected to increase at a slower rate compared to total O&M Expenses due to the strong passenger growth during the Projection Period. Table A-1, in Appendix A of this Report, presents projected Operating Expenses for the Projection Period, including the allocation of Operating Expenses to the Airport System cost centers.

EXHIBIT 6-1 PROJECTED OPERATING EXPENSES



NOTE:
Fiscal Years ending June 30.
SOURCES: Sacramento County Department of Airports, July 2024; Ricondo & Associates, Inc., August 2024.

6.3 NONAIRLINE REVENUES

Nonairline revenues include those revenues generated at the Airport from sources other than airline fees and charges and includes automobile parking fees, concession revenues (rental car privilege fees; food, beverage, and news and gift revenues; and other concession revenues); nonairline tenant rent; ground transportation fees and revenue; building and ground rents; general aviation revenue; and other operating revenue.

6.3.1 HISTORICAL NONAIRLINE REVENUES

Table 6-2 presents a summary of historical nonairline revenues for the period FY 2019 through Estimated FY 2024. Total nonairline revenues during this period increased at a CAGR of 3.0 percent from $110.9 million in FY 2019 to $128.7 million for Estimated FY 2024. Nonairline revenue per enplaned passenger grew at a CAGR of 2.1 percent through this period.

TABLE 6-2 HISTORICAL NONAIRLINE REVENUES – FY 2019 THROUGH FY 2024

NONAIRLINE REVENUES BY CATEGORY	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 (ESTIMATED)[1]	CAGR (FY 2019-FY 2024)
Parking Fees	$66,700,985	$51,510,237	$32,638,657	$65,445,614	$73,446,877	76,361,599	2.7%
Concessions							
Auto Rentals	$18,828,696	$16,918,266	$14,926,812	$19,465,719	$20,411,502	20,100,654	1.3%
Food/Beverage	$5,655,423	$4,842,511	$3,430,125	$3,878,105	$7,284,062	7,933,455	7.0%
Merchandise	$2,483,578	$2,317,653	$2,182,660	$1,755,446	$3,926,247	4,064,220	10.4%
Other Terminal Concessions	$1,456,049	$1,572,653	$1,557,689	$506,548	$2,096,515	2,514,955	11.6%
	$28,423,746	$25,651,084	$22,097,286	$25,605,819	$33,718,326	$34,613,283	4.0%
Ground Transportation							
Taxi Service	$288,195	$191,668	$90,947	$192,989	$362,022	566,897	14.5%
Limo/Luxury Car Services	$163,149	$103,484	$70,357	$138,196	$173,626	218,645	6.0%
Shuttle Service	$302,991	$210,648	$106,257	$129,973	$124,980	161,151	-11.9%
Transportation Network Companies (TNCs)	$2,736,746	$2,292,176	$805,415	$1,730,347	$2,363,669	2,552,148	-1.4%
	$3,491,081	$2,797,975	$1,072,975	$2,191,504	$3,024,297	$3,498,841	0.0%
Other Nonairline Revenues							
Building Rents	$5,507,421	$5,723,798	$5,551,214	$4,095,675	$6,453,842	6,669,488	3.9%
Ground Rents	$2,782,772	$3,093,218	$3,201,291	$2,442,127	$3,088,452	3,231,237	3.0%
General Aviation	$838,911	$833,092	$805,149	$849,184	$858,652	896,858	1.3%
Reimbursable Services/ Utilities	$538,539	$440,656	$330,911	$527,083	$616,320	599,690	2.2%
Other Revenues	$2,599,354	$2,389,369	$2,061,374	$2,635,775	$2,359,629	2,802,590	1.5%
	$12,266,997	$12,480,134	$11,949,941	$10,549,845	$13,376,896	$14,199,863	3.0%
Total Nonairline Revenues	**$110,882,809**	**$92,439,429**	**$67,758,858**	**$103,792,781**	**$123,566,395**	**$128,673,585**	**3.0%**
Enplaned Passengers	6,298,447	4,940,934	3,210,170	5,793,581	6,443,254	6,597,156	0.9%
Nonairline Revenues per Enplaned Passenger	$17.60	$18.71	$21.11	$17.92	$19.18	$19.50	2.1%

NOTES:
FY – Fiscal Year; CAGR – Compound Annual Growth Rate
1 FY 2024 Nonairline Revenues are actual through June 2024, including accruals, but not including adjustments.
SOURCE: Sacramento County Department of Airports, August 2024.

6.3.2 NONAIRLINE REVENUE IMPACTS FROM SMFORWARD

The Capital Program is designed to enable additional capacity at the Airport, with certain projections of nonairline revenue based on growth of enplaned passengers realized in part due to the projects completed. For example, the Concourse B Expansion project will enable additional terminal space at the Airport and potentially support increases in nonairline revenues, such as concessions, on a per enplaned passenger basis throughout the Projection Period due to expanded offerings. Any additional incremental increases to nonairline revenues beyond the growth described herein are not included in this analysis; however, any such incremental increases, if they materialize, would only serve to improve the County's financial position, increasing nonairline revenues and debt service coverage.

6.3.3 NONAIRLINE REVENUE PROJECTIONS

Based on FY 2025 Budget, nonairline revenues are projected to increase based on the type of revenue, forecast passenger growth, and impacts of inflation (assumed to be 3.0 percent).

6.3.3.1 PARKING FEES

Automobile parking is the largest source of nonairline revenue for the Airport System. The County entered into a management contract for its public parking facilities with LAZ Parking California LLC to operate all the parking facilities at the Airport. LAZ is responsible for maintaining, operating, and collecting parking fees for the existing facilities. LAZ remits all gross parking revenues to the County and is reimbursed for operating expenses in addition to receiving a management fee. Upon expiration of the contract on March 31, 2026, a contract with substantially similar terms and conditions is assumed.

The County is responsible for setting parking rates and the County Board of Supervisors approved a maximum annual 5-percent increase in parking rates at the Airport effective January 1, 2023 through January 2027. The resulting schedule of maximum daily parking rates by parking area is presented in **Table 6-3**, which is assumed for the projection of parking revenues presented in this Report. The increased parking rates are calculated by increasing the annual rate by 5 percent and rounding down. For example, the "previous rate" for the Hourly Lot was $29.00 per day. With a 5 percent increase, the calculated rate as of January 2023 would be $30.45, but the rate is rounded down to $30.00. For this Report, parking rates for FY 2028, FY 2029, and FY 2030 are assumed equal to the rates effective January 2027. The County may, at its discretion, approve additional adjustments to parking rates through the Projection Period.

TABLE 6-3 HISTORICAL AND ASSUMED MAXIMUM DAILY PARKING RATES

PARKING AREA	PREVIOUS RATE	JANUARY 2023	JANUARY 2024	JANUARY 2025	JANUARY 2026	JANUARY 2027	FY 2028-FY 2030 (ASSUMED)
Hourly Lot	$29.00	$30.00	$31.00	$33.00	$35.00	$37.00	$37.00
Garage	$18.00	$18.00	$19.00	$20.00	$21.00	$22.00	$22.00
Daily Lot	$12.00	$12.00	$13.00	$13.00	$14.00	$15.00	$15.00
East Economy	$10.00	$10.00	$11.00	$11.00	$12.00	$12.00	$12.00
West Economy	$10.00	$10.00	$11.00	$11.00	$12.00	$12.00	$12.00

NOTE:
FY – Fiscal Year ending September 30.
Parking rates shown for 2023 through 2027 reflect rates pre-approved by the County Board of Supervisors. 2028 through 2030 reflect rates assumed for purposes of the financial analysis, a continuation of the January 2027 rates. Rates are subject to change.
SOURCES: Sacramento County Department of Airports, August 2024.

Airport System parking revenue is projected to increase from approximately $76.3 million in FY 2024 to approximately $125.1 million in FY 2030, as presented in Table A-2. Public parking revenues are a function of the maximum daily rate, average days per transaction, and the number of transactions. There are also planned parking projects within the Projection Period that change the parking capacity and are anticipated to affect parking utilization and revenues per transaction. The following assumptions were made to project parking revenue through the Projection Period:

- The annual maximum daily rates for parking facilities at the Airport are based on the schedule of rate increases presented in Table 6-3 and averaged over the 12 months of each fiscal year.

- Transactions are projected by parking area based on a ratio of transactions per enplaned passenger, in consideration of historical results and the enplaned passenger forecast presented in Chapter 5 of this Report. Average days per transaction at each parking area are based on historical results.
- Consideration of parking availability associated with planned closing and opening of lots is included in the Projection Period. The Hourly Lot is scheduled and assumed to be closed in October 2024 to facilitate initial construction of the new Terminal B garage. Once the lot closes, demand for the Hourly Lot will likely shift to the existing garage, filling up the garage, which will then cause parkers otherwise looking to park in the garage to go to the Daily Lot. Excess Daily Lot demand is assumed to then shift to the Economy Lots. The net result is that demand for the Hourly Lot will ultimately shift to the Economy Lots while the new Terminal B garage is under construction.
- The opening of the Terminal B Garage is anticipated to serve a demand for parking with close proximity to Terminal B. Upon opening in FY 2027, the Terminal B garage rate is assumed to equalize with the existing garage.
- In FY 2026, the South Economy Lot with 3,000 spaces is expected to open expanding capacity similar to the West Economy Lot. Also in FY 2026, the Department is anticipated to implement a parking revenue control system, a project assumed in the Capital Program, which will serve the new South Economy Lot and West Economy Lot. It is expected to enhance revenue capture in the existing West Economy Lot which does not currently have a similar system in addition to capturing the revenue from the new South Economy Lot. Employee parking revenue, along with parking revenue from Sacramento Executive Airport, is assumed to increase 4.0 percent annually through the Projection Period.

6.3.3.2 AUTO RENTALS

Auto rental revenue is the second largest source of nonairline revenue for the County. The County has on-Airport agreements for car rental concessions with the following companies: 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). The agreements commenced October 1, 2024 and expire on September 30, 2029. It is assumed that the agreements will be renewed with substantially similar terms and conditions through the Projection Period.

Under the rental car concessionaire agreement, rental car companies pay the County the greater of a minimum annual guarantee or a percentage of gross sales. The County receives revenues in two primary forms: (1) privilege fees equal to the greater of 10 percent of gross receipts or a minimum annual guarantee, and (2) rentals for counter space, office space, and service facility ground areas. Additionally, the County receives certain cost-recovery fees for the rental car shuttle operation.

Auto rental revenue is assumed to increase at half of annual enplaned passenger growth plus inflation from FY 2025 to FY 2030, a CAGR of 4.4 percent, with revenue increasing from $21.1 million to $26.1 million through the Projection Period.

6.3.3.3 FOOD AND BEVERAGE

Four food and beverage concessionaires operate within the terminal facilities, offering a variety of dining options, including three traditional sit-down restaurants, two wine/cocktail bars, six quick-serve locations, six coffee shops, and two travelers' lounges. These concessionaires feature national, regional, and local brands at multiple locations across both terminals and Concourse B. Agreements with these concessionaires require payments to the County based on percentages of gross sales or a minimum annual guarantee, whichever is greater. Food and beverage revenue is projected to grow from $8.2 million in FY 2025 to $9.4 million in FY 2030, a 2.7 percent CAGR through the Projection Period, with annual growth assumed at the rate equal to forecast enplaned passenger growth.

6.3.3.4 MERCHANDISE

Merchandise revenue is among the fastest-growing source of nonairline revenues for the County, increasing at a CAGR of 10.4 percent from FY 2019 to FY 2024. The County maintains agreements with five concessionaires to handle the retail operations within the Airport terminal buildings. These retail spaces offer a broad selection of merchandise outlets and well-known brand-name stores, providing passengers with an array of shopping options and enhancing their spending experience. The existing concession agreements expire in 2026, although the County anticipates extending the agreements through 2028. The County receives revenues based on either a percentage of gross sales or a minimum annual guarantee, whichever amount is higher. Through the Projection Period, merchandise concessions revenues are assumed to grow at the rate of forecast enplaned passenger growth. Resulting revenues are projected to grow from $4.2 million in FY 2025 to $4.8 million in FY 2030, a 2.7 percent CAGR through the Projection Period.

6.3.3.5 OTHER TERMINAL CONCESSIONS

In addition to food and beverage and merchandise concessions, the County receives revenues from other in-terminal concessions, including advertising, telephones, vending machines, and ATM commissions. The County receives advertising revenue through agreements with Clear Channel and Security Point, which comprise the majority of revenues in this category. Revenue from other terminal concessions is assumed to grow at an annual rate of 3.0 percent (inflation) from FY 2025 to FY 2030, increasing from $2.6 million to $3.0 million through the Projection Period.

6.3.3.6 GROUND TRANSPORTATION

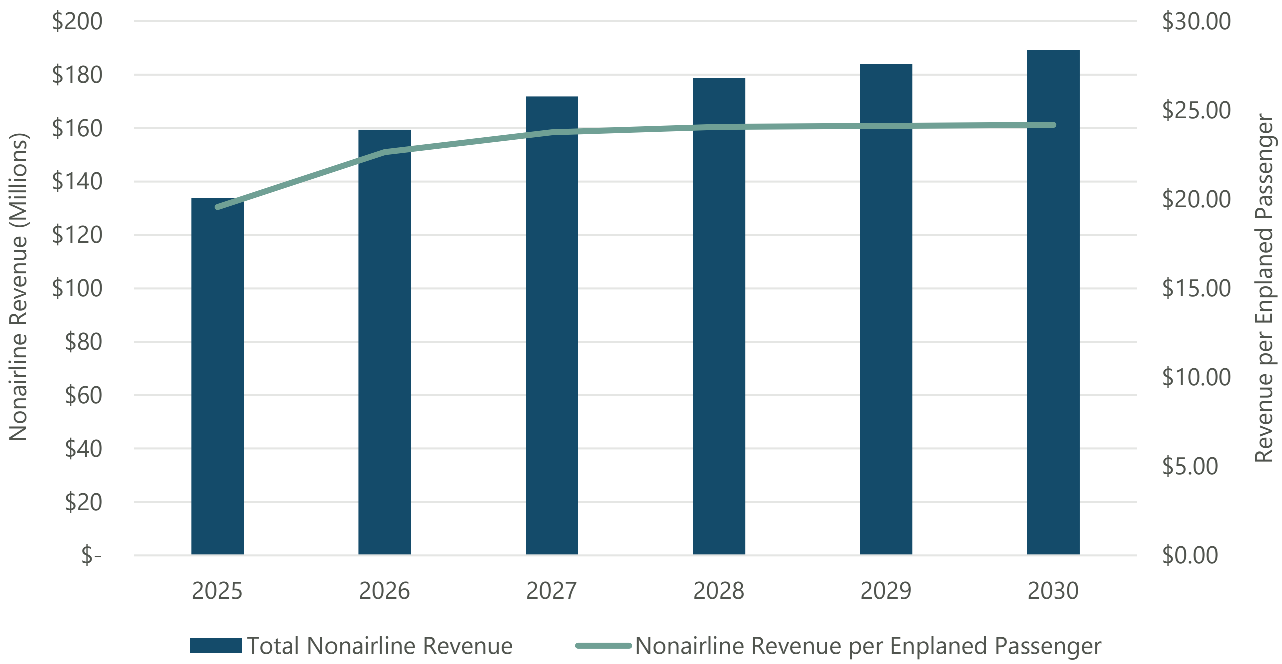
Ground Transportation revenues include per-trip fees from charter buses, resort limousines, and taxi cabs, as well as ride-share operations from transportation network companies (TNCs), such as Uber and Lyft. Ground transportation revenue is assumed to grow annually at the rate of enplaned passenger growth and is projected to increase from $3.6 million in FY 2025 to $4.2 million in FY 2030, a 2.8 percent CAGR through the Projection Period.

6.3.3.7 OTHER NONAIRLINE REVENUE

Other sources of nonairline revenue include building and ground rents, which include hangars, cargo facilities, and various other leases. These lease agreements typically feature adjustments based on fluctuations in the Consumer Price Index (CPI), periodic appraisals, or a combination of these methods. Other Nonairline revenue is projected to grow from $14.6 million in FY 2025 to $16.6 million in FY 2030, a 2.7 percent CAGR through the Projection Period.

Exhibit 6-2 presents projected nonairline revenues through the Projection Period. Total nonairline revenues are projected to increase from approximately $133.8 million in FY 2025 Budget to approximately $168.1 million in FY 2030, reflecting a CAGR of 4.7 percent growth, resulting primarily from forecast increases in aviation activity, as well as inflationary factors, assumed in this Report to be 3.0 percent. Additional information regarding nonairline revenues projected for FY 2025 through FY 2030, is presented in Table A-2.

EXHIBIT 6-2 PROJECTED NON-AIRLINE REVENUES



NOTE:
Fiscal Years ending June 30
SOURCES: Sacramento County Department of Airports, July 2024; Ricondo & Associates, Inc., August 2024.

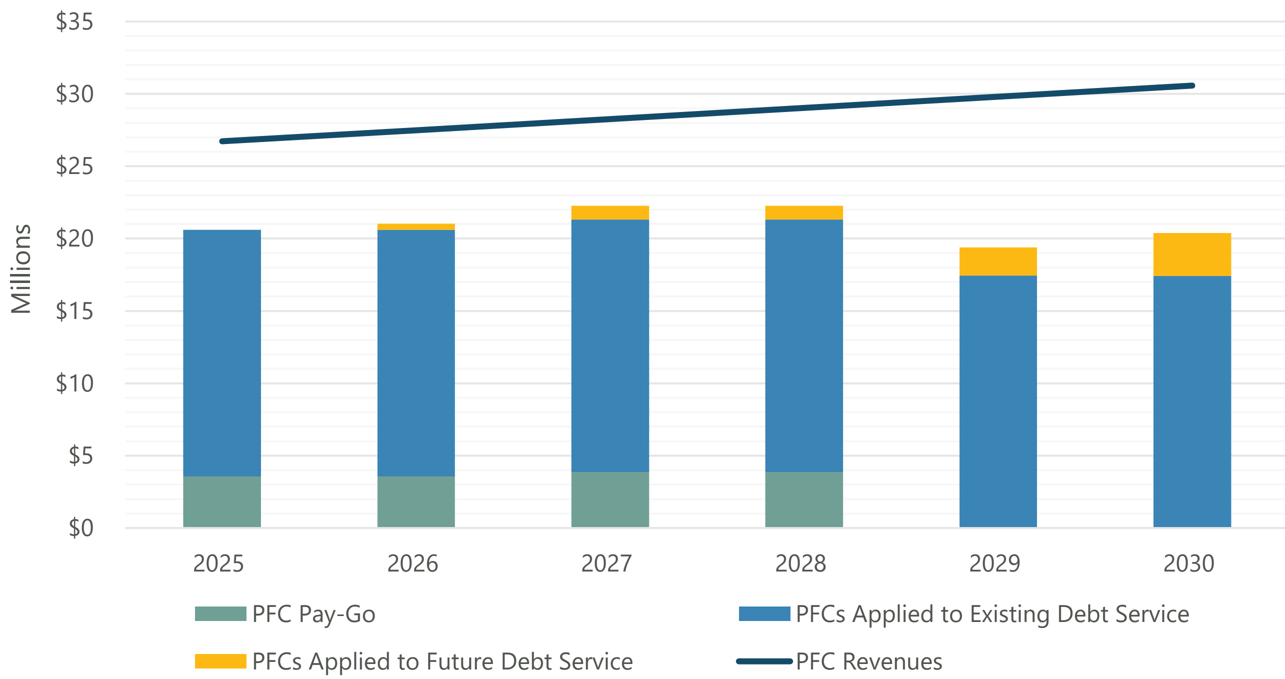
6.4 PASSENGER FACILITY CHARGE REVENUE

The County is currently collecting a $4.50 PFC per passenger and has received authority from the FAA through 7 PFC Applications to impose and use a total of approximately $811.5 million in PFC revenues for capital projects and associated financing costs. Development of a new PFC application (PFC #8) is in process, through which, the County is seeking approval to impose and use approximately $73.2 million in PFC revenue for the pedestrian walkway project.

Table A-3 in Appendix A presents the projected annual PFC revenue capacity based on existing FAA approvals, forecast enplaned passengers, an assumed PFC level of $4.50 per enplaned passenger through the end of the Projection Period, and an assumed PFC collection eligibility of 89 percent of enplaned passengers.

Projected PFC Revenues, as shown on **Exhibit 6-3**, are expected to be sufficient to cover all Subordinate Obligation debt service that finances PFC projects and PFCs assumed to be applied to Senior Obligation debt service on a non-pledged basis at the current PFC collection level.

EXHIBIT 6-3 PROJECTED PASSENGER FACILITY CHARGE REVENUE



NOTES:
Fiscal Years ending June 30.
PFC – Passenger Facility Charge
Future debt service to be paid with PFC revenue may be in the form of debt service on Subordinate Bonds and/or one or more Transportation Infrastructure Finance and Innovation Act (TIFIA) Loans.
SOURCES: Sacramento County Department of Airports, July 2024; Ricondo & Associates, Inc., August 2024.

6.5 DEBT SERVICE

6.5.1 EXISTING DEBT SERVICE, DEBT SERVICE ON SERIES 2024 BONDS, FUTURE BONDS, AND TIFIA LOAN DEBT SERVICE

Table A-4 in Appendix A presents the details of The County's outstanding debt service, as well as the debt service on the Series 2024 Bonds, anticipated future bonds, and projected TIFIA Loans for FY 2025 through FY 2030.

6.5.1.1 EXISTING DEBT SERVICE

Debt service on existing Senior Revenue Bonds totals approximately $46.2 million in FY 2025 and is anticipated to decrease to approximately $45.3 million in FY 2030. Debt service on existing Subordinate Revenue Bonds totals approximately $17.1 million in FY 2025 and is anticipated to increase to $17.4 million by FY 2030. Debt service on Subordinate Revenue Bonds is anticipated to be paid with PFC revenues, as is debt service on TIFIA Loans.

6.5.1.2 DEBT SERVICE ON THE SERIES 2024 BONDS

Proceeds from the Series 2024 Bonds will be used to fund the Series 2024 Projects, as described in Chapter 3 of this Report. The Series 2024 Projects total approximately $545.0 million, of which approximately $466.0 million will be funded with proceeds from the Series 2024 Bonds and associated interest earnings.

The Series 2024 Bonds are assumed to have a term of 30 years. For the purposes of this Report, interest on the Series 2024 Bonds is assumed at the current market interest rate as of July 23, 2024, plus 50 basis points.

A portion of debt service on the Series 2024 Bonds is anticipated to become payable beginning on July 1, 2026 (interest due on January 1, 2025 to January 1, 2026 is expected to be payable from the capitalized interest account). Debt service on the 2024 Bonds is assumed to increase from approximately $1.9 million in FY 2026 to approximately $34.5 million in FY 2030. A portion of the debt service each year will be recovered from the airlines through airline rates and charges.

6.5.1.3 FUTURE DEBT SERVICE

For financial projection purposes, SMForward projects not funded with proceeds of the Series 2024 Bonds are expected to be funded in part with future Series 2025 Bonds, a 2025 TIFIA Loan, and future Subordinate Obligations, as presented in Table 6-4 and described in Chapter 3 of this Report. TIFIA Loan and Subordinate Lien debt service is anticipated to be paid with PFC revenues.

TABLE 6-4 ASSUMED FUTURE DEBT ISSUANCES

FUTURE DEBT ISSUANCES	ISSUANCE YEAR	PAR AMOUNT
Senior Obligations		
Series 2025 Bonds	2025	$272.4 million
TIFIA Loan[1]	2025	$38.8 million
Subordinate Obligations[1]		
GARBS or TIFIA Loan	2025	$65.9 million

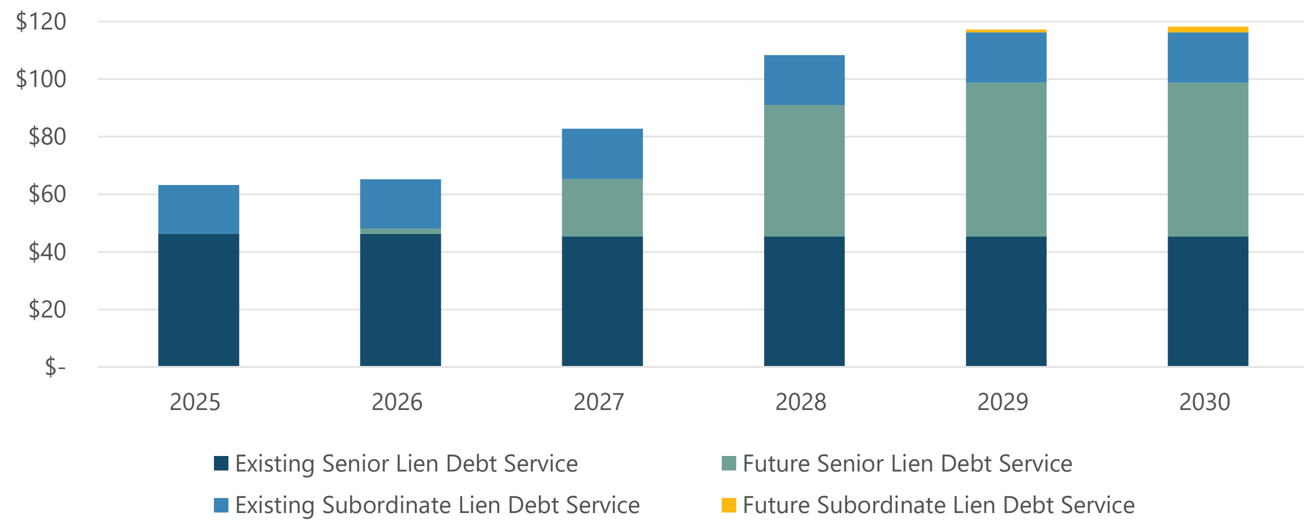
NOTE:
GARBS – General Airport Revenue Bonds
TIFIA – Transportation Infrastructure Finance and Innovation Act
1 Debt service to be paid with Passenger Facility Charge revenue.
SOURCE: PFM Financial Advisors, LLC, August 2024.

6.5.1.4 PROJECTED NET DEBT SERVICE

The County's total Airport System debt service (including debt service on existing bonds, projected debt service on the 2024 Bonds and future bonds, and the future TIFIA Loans) is projected to be approximately $63.2 million in FY 2025 and is projected to increase throughout the Projection Period to $119.2 million in FY 2030. Net debt service, after use of PFC revenues to pay Subordinate Lien debt service and TIFIA Loan debt service, is projected to increase from $46.2 million in FY 2025 to $98.8 million in FY 2030.

Exhibit 6-4 presents the projected net debt service for the Airport System during the Projection Period.

EXHIBIT 6-4 PROJECTED NET DEBT SERVICE



NOTE:
Fiscal Years ending June 30.
Net of capitalized interest.
Future Senior Lien debt service includes future Senior Revenue Bonds and a Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan.
Future Subordinate Lien debt service includes future Subordinate Revenue Bonds and/or TIFIA Loan(s).
SOURCE: Sacramento County Department of Airports, August 2024; PFM Financial Advisors, LLC, August 2024.

6.6 AIRLINE REVENUES

Airport rates and charges are assessed to airlines with respect to each of the airline cost centers, including the Airfield Area, Airline Systems and Equipment, Apron Area, Loading Bridges, and Terminal Building cost centers. The rentals, fees, and charges for each of these cost centers is equal to the signatory airline's share of the net requirement in each respective cost center, as set forth in the Airline Agreement. Elements of the net requirement calculation for each airline cost center generally include the following:

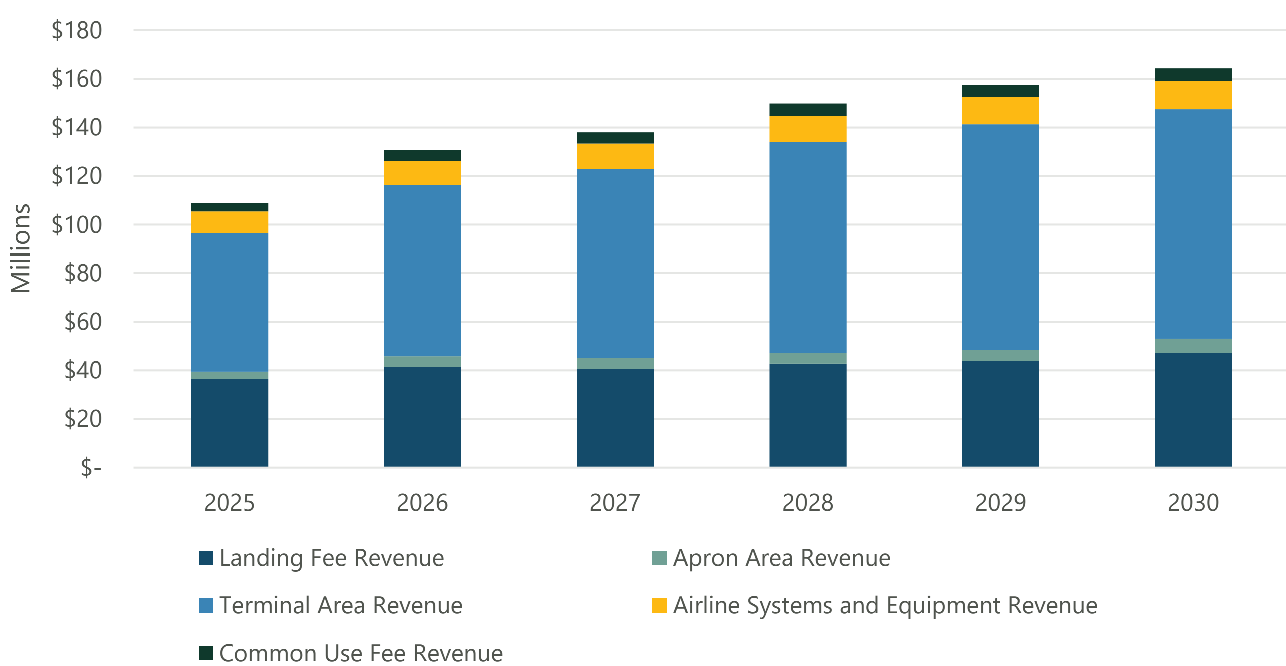
- **Operating Expenses**. All costs paid or incurred by the County for operation and maintenance related to the cost center.
- **Capital outlays**. Amount of capital outlays for capital projects funded with less than $300,000 of County funds attributable to the cost center.
- **Annual bond debt service**. Amount required to be deposited in any fiscal year to any interest, principal, or sinking fund accounts established by the Master Indenture for any bonds issued for the Airport System, exclusive of amounts funded by PFC collections or other reimbursements, attributable to the cost center.
- **Annual bond debt service coverage**. An amount equal to 25 percent times the annual bond debt service on bonds attributable to the cost center in the current fiscal year.
- **Credit for prior year annual bond debt service coverage**. A credit in the current fiscal year equal to 25 percent times the annual bond debt service on bonds attributable to the cost center from the prior fiscal year.
- **Amortization.** The amount to recover capital expenditures attributable to the cost center which are not debt financed and shall be calculated based on the expected useful life of the capital expenditure with a rate of

return, equivalent to the County's cost of capital as of the date of substantial completion. Amortization commences in the fiscal year immediately following the date of substantial completion of any such capital expenditure. Amortization of any M&O Projects is also included, as attributable to the cost center.

- **Operating Expenses reserve.** Amount equal to one quarter of the amount appropriated in the annual budget for O&M expenses attributable to the cost center.
- **Extraordinary coverage protection**. Amount collected to ensure the County will meet the coverage requirement on the annual bond debt service requirement attributable to the cost center.
- **Reliever airport operating deficit/surplus (landing fee only)**. The sum of the operating deficits or surpluses at Mather and Executive Airports, calculated separately for each of the two reliever airports by subtracting from the total revenue allocable to each airport (other than scheduled airline landing fees paid at Mather) the sum of the operating expenses, capital outlays, annual debt service, and operating reserve requirements allocable to each airport.

Table A-5 in Appendix A presents projected airline rates and charges through the Projection Period. Table A-6 in Appendix A presents corresponding projected airline revenues through the Projection Period, which is summarized in **Exhibit 6-5**. Airline revenue is projected to increase from $108.8 million in FY 2025 to $164.3 million in FY 2030.

EXHIBIT 6-5 PROJECTED AIRLINE REVENUE



NOTE:
Fiscal Years ending June 30.
SOURCE: Sacramento County Department of Airports, July 2024; Ricondo & Associates, Inc., August 2024.

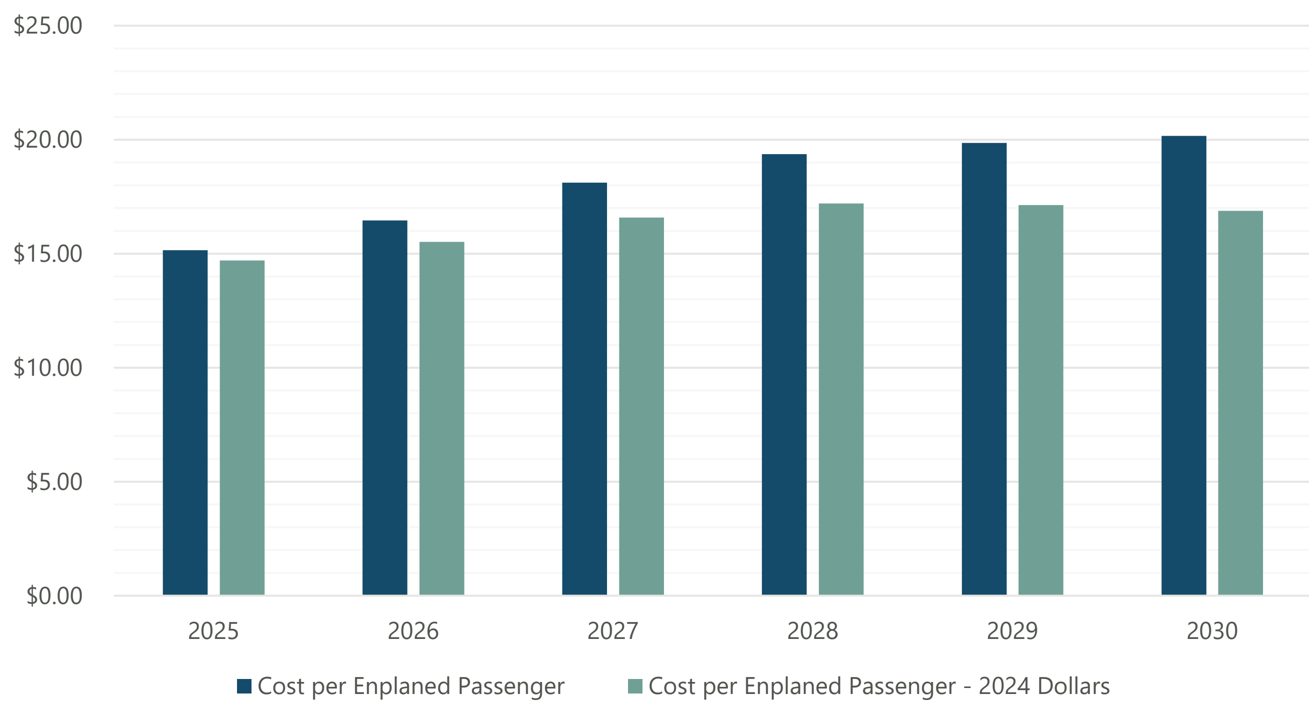
6.6.1 AIRLINE COST PER ENPLANED PASSENGER

Table A-7 in Appendix A presents the calculation of airline cost per enplaned passenger from the passenger airline revenues projected for FY 2025 through FY 2030.

As shown, the cost per enplaned passenger is projected to increase from $15.15 in the FY 2025 Budget to $20.16 in FY 2030, primarily due to the funding of and expenditure and revenue impacts associated with the Capital Program and inflationary increases in Operating Expenses.

Exhibit 6-6 presents the projected airline cost per enplaned passenger at the Airport.

EXHIBIT 6-6 PROJECTED AIRLINE COST PER ENPLANED PASSENGER



SOURCE: Sacramento County Department of Airports, July 2024; Ricondo & Associates, Inc., July 2024.

The projected airline cost per enplaned passenger was evaluated in this analysis deemed reasonable. These fees are not expected to deter forecast demand for air traffic at the Airport as airlines continue to deploy capacity to airports based on available resources. The resilient demand for air traffic, and therefore reasonableness of the projected CPE, is based on

- the strong and resilient economic base of the Air Trade Area,
- the well-established air service market served by a diversity of carriers, and
- a projected growth in the factors that drive future air traffic demand.

In addition, although the CPE is increasing over the Projection Period, it is one of many factors that are considered by airlines when evaluating air service. Airport rates and fees were approximately 6.7 percent of system-wide total airline operating costs according to the airline industry group Airlines for America,[80] and they represent one of many factors airlines consider when allocating capacity resources.

6.7 PROJECTION OF FINANCIAL PERFORMANCE AND DEBT SERVICE COVERAGE

Table A-8 in Appendix A presents the Debt Service Coverage ratios as required by the Indenture. The County shall, while any Obligations are Outstanding under the Indenture 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 FY will be at least equal to 100 percent of the aggregate amount of transfers required to be made by the County pursuant to the Indenture during such FY. The County shall further 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 FY:

> (i) Net Revenues for such FY plus any Transfer will be equal to at least 125 percent of Accrued Debt Service on all Outstanding Senior Obligations for such FY, provided that the amount of any Transfer taken into account shall not exceed 25 percent of the Accrued Debt Service on the Outstanding Senior Obligations for such FY;
>
> (ii) Net Revenues for such FY plus any Transfer will be equal to at least 110 percent of Accrued Debt Service on all Outstanding Senior Obligations and Subordinate Obligations for such FY, provided that the amount of any Transfer taken into account shall not exceed 10 percent of the Accrued Debt Service on the Outstanding Senior Obligations and Subordinate Obligations for such FY; and
>
> (iii) Net Revenues for such FY will be equal to at least 100 percent of Accrued Debt Service on all Outstanding Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations for such FY.

The debt service coverage ratio pursuant to Section 6.04(b)(i) ranges from 1.74x to 2.94x through the Projection Period. The debt service coverage ratio pursuant to Section 6.04(b)(ii) ranges from 1.59x to 2.79x through the Projection Period. The debt service coverage ratio pursuant to Section 6.04(b)(iii) ranges from 1.49x to 2.69x through the Projection Period.

[80] According to data collected by Airlines for America in December 2023, 2.0 percent of passenger airline operating expenses went to landing fees and 4.9 percent went to non-aircraft rents and ownership.

APPENDIX A

Financial Projection Tables

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE A-1 OPERATING EXPENSES

(Fiscal Years Ending June 30)

	ESTIMATED	PROJECTED						COMPOUND ANNUAL
	2024[1]	2025	2026	2027	2028	2029	2030	GROWTH RATE (2025-2030)
By Category								
Salaries and Benefits	$50,560,565	$56,029,049	$59,390,792	$62,954,239	$66,731,494	$70,735,383	$74,979,506	6.0%
Professional Services	$22,854,254	$23,768,424	$24,719,161	$25,707,927	$26,736,244	$27,805,694	$28,917,922	4.0%
Contracted Services	$18,218,300	$19,311,399	$20,470,082	$21,698,287	$23,000,185	$24,380,196	$25,843,007	6.0%
Law Enforcement (Sheriff)	$13,822,209	$14,236,876	$14,663,982	$15,103,902	$15,557,019	$16,023,729	$16,504,441	3.0%
Other Services	$358,745	$376,683	$395,517	$415,293	$436,057	$457,860	$480,753	5.0%
Supplies	$6,271,148	$6,584,705	$6,913,941	$7,259,638	$7,622,620	$8,003,750	$8,403,938	5.0%
Utilities	$6,853,624	$7,127,769	$7,412,879	$7,709,395	$8,017,770	$8,338,481	$8,672,020	4.0%
Technical Services & Supplies	$1,613,685	$1,678,232	$1,745,362	$1,815,176	$1,887,783	$1,963,294	$2,041,826	4.0%
Insurance	$216,154	$216,154	$216,154	$216,154	$216,154	$216,154	$216,154	0.0%
County Services	$10,720,696	$11,149,524	$11,595,505	$12,059,325	$12,541,698	$13,043,366	$13,565,101	4.0%
County Allocated Costs	$8,081,335	$8,485,402	$8,909,672	$9,355,156	$9,822,914	$10,314,059	$10,829,762	5.0%
Other Costs	$7,259,224	$7,622,186	$8,003,295	$8,403,460	$8,823,633	$9,264,814	$9,728,055	5.0%
Cost of Goods Sold	$1,019,957	$1,050,556	$1,082,073	$1,114,535	$1,147,971	$1,182,410	$1,217,883	3.0%
Total Operating Expenses	**$147,849,898**	**$157,636,958**	**$165,518,415**	**$173,812,486**	**$182,541,541**	**$191,729,192**	**$201,400,369**	**5.0%**
M&O Projects	$3,977,373	$8,000,000	$8,000,000	$8,000,000	$8,000,000	$8,000,000	$8,000,000	0.0%
Additional SMForward O&M Expenses	$0	$0	$0	$5,891,416	$7,540,124	$8,140,796	$8,385,020	
Total Operating Expenses	**$151,827,271**	**$165,636,958**	**$173,518,415**	**$187,703,902**	**$198,081,665**	**$207,869,988**	**$217,785,389**	**5.6%**
By Cost Center								
Airfield	$19,810,201	$20,205,053	$20,962,568	$22,012,995	$23,118,512	$24,282,109	$25,506,944	4.8%
Terminal Buildings	$61,318,973	$67,087,598	$68,791,446	$79,590,220	$83,098,826	$81,152,193	$85,215,667	4.9%
Parking	$48,559,679	$50,306,889	$53,994,128	$60,330,387	$63,261,943	$66,344,227	$69,585,325	6.7%
Cargo Apron	$846,239	$1,368,654	$883,115	$1,227,310	$973,941	$1,022,961	$1,074,561	-4.7%
Other Buildings and Areas	$2,126,775	$3,943,328	$2,392,661	$1,607,577	$3,171,896	$9,651,013	$9,734,293	19.8%
Apron	$453,191	$406,320	$426,635	$448,014	$470,513	$494,195	$519,123	5.0%
Loading Bridges	$2,546,953	$3,590,359	$3,769,868	$3,958,775	$4,157,589	$4,366,848	$4,587,120	5.0%
Rental Cars	$699,533	$1,159,213	$1,217,171	$1,278,163	$1,342,354	$1,409,917	$1,481,036	5.0%
Ground Transportation	$119,951	$155,892	$163,686	$171,889	$1,652,487	$1,705,732	$1,760,780	62.4%
Airline Systems and Equipment	$7,456,068	$6,951,194	$7,298,736	$7,664,474	$8,049,392	$8,454,533	$8,880,995	5.0%
Reliever Airports	$7,889,708	$10,441,495	$13,596,390	$9,390,985	$8,759,938	$8,960,766	$9,412,763	-2.1%
Franklin Field	$0	$20,962	$22,010	$23,113	$24,274	$25,496	$26,782	5.0%
Total Operating Expenses	**$151,827,271**	**$165,636,958**	**$173,518,415**	**$187,703,902**	**$198,081,665**	**$207,869,988**	**$217,785,389**	**5.6%**
Percent Annual Change	7.4%	9.1%	4.8%	8.2%	5.5%	4.9%	4.8%	

NOTE:

1 Estimated FY 2024 values are actual for 12 months ending June 2024, including accruals, but not including adjustments.

SOURCES: Sacramento County Department of Airports, August 2024; Ricondo & Associates, Inc., August 2024.

TABLE A-2 NONAIRLINE REVENUES

(Fiscal Years Ending June 30)

	ESTIMATED	PROJECTED						COMPOUND ANNUAL
	2024[1]	2025	2026	2027	2028	2029	2030	GROWTH RATE (2025-2030)
Parking Fees	$76,361,599	$79,513,603	$103,171,456	$113,818,507	$118,725,523	$121,897,238	$125,085,097	9.5%
Concessions								
Auto Rentals	$20,100,654	$21,073,416	$22,007,429	$22,974,544	$23,976,115	$25,013,984	$26,089,645	4.4%
Food/Beverage	$7,933,455	$8,225,319	$8,460,923	$8,696,897	$8,933,363	$9,170,769	$9,409,252	2.7%
Merchandise	$4,064,220	$4,213,739	$4,334,436	$4,455,322	$4,576,461	$4,698,082	$4,820,254	2.7%
Other Terminal Concessions	$2,514,955	$2,590,403	$2,668,115	$2,748,159	$2,830,604	$2,915,522	$3,002,987	3.0%
Subtotal Concessions	**$34,613,283**	**$36,102,878**	**$37,470,903**	**$38,874,921**	**$40,316,543**	**$41,798,357**	**$43,322,139**	**3.7%**
Ground Transportation								
Taxi Service	$566,897	$587,752	$604,588	$621,449	$638,346	$655,311	$672,352	2.7%
Limo/Luxury Car Services	$218,645	$225,204	$231,960	$238,919	$246,087	$253,469	$261,073	3.0%
Shuttle Service	$161,151	$165,986	$170,965	$176,094	$181,377	$186,818	$192,423	3.0%
Transportation Network Companies (TNCs)	$2,552,148	$2,646,039	$2,721,832	$2,797,743	$2,873,813	$2,950,185	$3,026,904	2.7%
Subtotal Ground Transportation	**$3,498,841**	**$3,624,981**	**$3,729,345**	**$3,834,206**	**$3,939,623**	**$4,045,783**	**$4,152,752**	**2.8%**
Other Nonairline Revenue								
Building Rents	$6,669,488	$6,769,530	$6,871,073	$6,974,139	$7,078,751	$7,184,932	$7,292,706	1.5%
Ground Rents	$3,231,237	$3,392,798	$3,562,438	$3,740,560	$3,927,588	$4,123,968	$4,330,166	5.0%
General Aviation	$896,858	$905,827	$914,885	$924,034	$933,274	$942,607	$952,033	1.0%
Reimbursable Services/Utilities	$599,690	$617,681	$636,211	$655,298	$674,957	$695,205	$716,061	3.0%
Other Revenues	$2,802,590	$2,886,668	$2,973,268	$3,062,466	$3,154,340	$3,248,970	$3,346,439	3.0%
Subtotal Other	**$14,199,863**	**$14,572,504**	**$14,957,876**	**$15,356,497**	**$15,768,910**	**$16,195,683**	**$16,637,406**	**2.7%**
Reimbursements								
Total Nonairline Revenues	**$128,673,585**	**$133,813,966**	**$159,329,580**	**$171,884,131**	**$178,750,600**	**$183,937,061**	**$189,197,395**	**7.2%**
Percent Annual Change	4.1%	4.0%	19.1%	7.9%	4.0%	2.9%	2.9%	

NOTE:

1 Estimated FY 2024 values are actual for 12 months ending June 2024, including accruals, but not including adjustments.

SOURCES: Sacramento County Department of Airports, August 2024; Ricondo & Associates, Inc., August 2024.

TABLE A-3 PROJECTED PFC REVENUE COLLECTIONS

(Fiscal Years Ending June 30)

	PROJECTED					
	2025	2026	2027	2028	2029	2030
PFC Beginning Balance	$58,309,046	$65,670,757	$73,533,620	$81,068,715	$89,524,922	$101,839,068
Enplanements	6,839,860	7,035,778	7,232,005	7,428,641	7,626,059	7,824,373
Calculation of PFCs						
89% of Enplanements Paying PFC	6,087,475	6,261,843	6,436,484	6,611,491	6,787,192	6,963,692
PFC Collection Level	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50
Less: Administrative Fee	($0.11)	($0.11)	($0.11)	($0.11)	($0.11)	($0.11)
Total PFC Revenue [1]	$26,724,015	$27,489,489	$28,256,167	$29,024,443	$29,795,775	$30,570,606
Interest Income	$1,239,798	$1,392,044	$1,546,023	$1,705,936	$1,913,640	$2,160,156
PFC PAYGO	($3,551,603)	($3,551,603)	($3,875,000)	($3,875,000)	$0	$0
PFCs Applied to Existing Subordinate Debt Service (non-pledged)	($17,050,500)	($17,051,750)	($17,429,750)	($17,434,750)	($17,433,500)	($17,430,250)
PFCs Applied to Future Debt Service (non-pledged) [2]	$0	($415,317)	($962,346)	($964,422)	($1,961,769)	($2,963,096)
PFC Ending Balance	**$65,670,757**	**$73,533,620**	**$81,068,715**	**$89,524,922**	**$101,839,068**	**$114,176,484**

NOTE:

1 PFC Revenue is projected based on the Authority's existing PFC approvals. See Section 6.4 of this report for a discussion of PFC Revenues.

2 Future debt service to be paid with PFC revenue may be in the form of debt service on Subordiate Bonds and/or one or more TIFIA Loans.

SOURCES: Sacramento County Department of Airports, August 2024; Ricondo & Associates, Inc., August 2024.

TABLE A-4 ANNUAL DEBT SERVICE REQUIREMENTS

(Fiscal Years Ending June 30)

	ESTIMATED	PROJECTED					
	2024	2025	2026	2027	2028	2029	2030
Senior Lien Debt Service							
Outstanding Senior Lien Debt Service							
Series 2016A	$4,450,000	$4,450,000	$4,450,000	$4,450,000	$4,450,000	$4,450,000	$4,450,000
Series 2018A	$2,006,250	$11,896,250	$11,896,750	$3,917,500	$3,906,250	$3,908,250	$3,907,500
Series 2018B	$3,463,750	$10,858,750	$10,849,000	$6,106,250	$6,116,250	$6,117,250	$6,114,250
Series 2018C	$12,424,500	$12,424,500	$12,424,500	$24,249,500	$24,248,250	$24,252,500	$24,250,500
Series 2020	$3,401,150	$6,556,150	$6,558,400	$6,562,650	$6,563,400	$6,555,400	$6,558,650
Total Existing Senior Lien Debt Service	**$25,745,650**	**$46,185,650**	**$46,178,650**	**$45,285,900**	**$45,284,150**	**$45,283,400**	**$45,280,900**
Future Senior Lien Debt Service							
Proposed Series 2024	$0	$0	$1,945,383	$19,830,313	$34,539,250	$34,533,250	$34,539,000
Future Series 2025	$0	$0	$0	$218,213	$11,116,272	$19,003,250	$19,003,750
Anticipated 2025 TIFIA Loan[1]			$415,317	$962,346	$964,422	$961,769	$963,096
Total Future Senior Lien Debt Service	**$0**	**$0**	**$2,360,700**	**$21,010,871**	**$46,619,944**	**$54,498,269**	**$54,505,846**
Total Senior Lien Debt Service	**$25,745,650**	**$46,185,650**	**$48,539,350**	**$66,296,771**	**$91,904,094**	**$99,781,669**	**$99,786,746**
Subordinate Lien Debt Service							
Series 2016B	$4,639,500	$4,639,500	$4,639,500	$4,639,500	$4,639,500	$4,639,500	$4,639,500
Series 2018D	$3,467,750	$3,473,000	$3,475,500	$0	$0	$0	$0
Series 2018E	$5,910,250	$8,938,000	$8,936,750	$12,790,250	$12,795,250	$12,794,000	$12,790,750
Series 2018F	$2,688,000	$0	$0	$0	$0	$0	$0
Future Subordinate Obligations[2]	$0	$0	$0	$0	$0	$1,000,000	$2,000,000
Total Subordinate Lien Debt Service	**$16,705,500**	**$17,050,500**	**$17,051,750**	**$17,429,750**	**$17,434,750**	**$18,433,500**	**$19,430,250**
Total Senior and Subordinated Debt Service	**$42,451,150**	**$63,236,150**	**$65,591,100**	**$83,726,521**	**$109,338,844**	**$118,215,169**	**$119,216,996**
Less: Debt Service Paid With PFC Revenues (non-pledged)[3]	($16,705,500)	($17,050,500)	($17,467,067)	($18,392,096)	($18,399,172)	($19,395,269)	($20,393,346)
Total Debt Service to be paid with Revenues	**$25,745,650**	**$46,185,650**	**$48,124,033**	**$65,334,425**	**$90,939,672**	**$98,819,900**	**$98,823,650**

NOTES:

1 The 2025 TIFIA Loan is anticipated to close in January 2025.

2 Future Subordinate Obligations may include one or more additional TIFIA Loans subsequent to the anticipated 2025 TIFIA Loan and/or future Subordinate Bonds.

3 Includes all Subordinate Lien Debt Service and the future Senior Lien TIFIA Loan Debt Service.

SOURCES: Sacramento County Department of Airports, August 2024; PFM Financial Advisors, LLC, August 2024.

TABLE A-5 AIRLINE FEES, RENTALS AND CHARGES

(Fiscal Years Ending June 30)

	ESTIMATED	PROJECTED					
	2024[1]	2025	2026	2027	2028	2029	2030
Landing Fee Rate[2]							
Signatory Airline	$3.69	$4.02	$4.47	$4.32	$4.45	$4.50	$4.75
Non-Signatory Airline	$5.20	$4.82	$5.36	$5.18	$5.34	$5.40	$5.70
Terminal Area[3]							
Enclosed Preferential and Joint Use Space	$153.65	$160.06	$201.37	$223.35	$250.83	$244.88	$248.69
Unenclosed Preferential Use Space	$38.42	$40.02	$50.35	$55.84	$62.71	$61.22	$62.18
FIS Facility[4]	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00
Common Use Gate Charge							
Per Turn With Bridge (50 or more seats)	$566	$630	$775	$833	$908	$899	$942
Per Turn Without Bridge (50 or more seats)	$442	$464	$594	$647	$717	$702	$739
Per Seat Fee for Aircraft with <50 seats (With Bridge)	$12	$13	$16	$17	$19	$18	$19
Per Seat Fee for Aircraft with <50 seats (Without Bridge)	$9	$10	$12	$13	$15	$15	$15
Common Use Ticket Counters							
Per Position Per Use	$24	$24	$31	$34	$38	$37	$38
Per Seat Fee for Aircraft with <50 seats	$1	$1	$1	$1	$1	$1	$1
Common Use Baggage Make-Up							
Per Use	$207	$216	$271	$301	$338	$330	$335
Per Seat Fee for Aircraft with <50 seats	$5	$5	$6	$7	$7	$7	$7
Airline Systems and Equipment							
Airline Systems and Equipment Fee per Month	$683,002	$746,790	$826,191	$874,432	$902,999	$934,886	$969,463
Aircraft Parking Position Fee							
Per Parking Position per Year	$77,835	$85,932	$123,233	$119,561	$120,421	$120,858	$159,851
Remote-Overnight (RON) Fee							
Per Parking Position per Day	$54	$60	$86	$83	$84	$84	$111
Loading Bridge Fee							
Per Loading Bridge per Year	$ 133,820	$ 179,593	$ 196,206	$ 201,136	$ 206,906	$ 213,252	$ 219,389

NOTES:

1 Estimated FY 2024 values are actual for 12 months ending June 2024, including accruals, but not including adjustments.

2 Per thousand pounds.

3 Per square foot.

4 Per deplaned international passenger.

SOURCES: Sacramento County Department of Airports, August 2024; Ricondo & Associates, Inc., August 2024.

TABLE A-6 AIRLINE REVENUE

(Fiscal Years Ending June 30)

	ESTIMATED	PROJECTED					
	2024[1]	2025	2026	2027	2028	2029	2030
Landing Fee Revenue							
Passenger Airline Landing Fee Revenue	$27,437,937	$31,786,301	$36,142,960	$35,728,431	$37,603,790	$38,834,765	$41,830,425
Cargo Carrier Landing Fee Revenue	$4,522,539	$4,627,139	$5,145,264	$4,972,558	$5,123,666	$5,181,237	$5,469,085
Apron Area Revenue							
Preferential Use Parking Position Revenue	$2,023,710	$2,234,232	$3,204,058	$3,108,586	$3,130,946	$3,142,308	$4,156,126
Preferential Use Parking Position Revenue (Cargo)	$590,249	$601,524	$862,631	$836,927	$842,947	$846,006	$1,118,957
RON Revenue	$257,309	$272,514	$390,934	$377,295	$381,840	$381,840	$504,574
Terminal Area Rental and Use Charge Revenue							
Airline Preferential/Exclusive Space Revenue	$21,120,380	$22,173,994	$27,896,896	$30,941,906	$34,748,862	$39,262,960	$39,873,838
Airline Joint Use Space Revenue	$27,019,981	$28,147,206	$35,411,738	$39,277,011	$44,109,481	$45,511,950	$46,220,054
Rentals from Unenclosed Airline Operations Space	$962,955	$1,053,344	$1,325,234	$1,469,733	$1,650,555	$1,611,337	$1,636,605
FIS Facility Revenue	$838,000	$883,219	$910,026	$933,392	$956,802	$979,561	$1,002,320
Preferential Use Loading Bridge Revenue	$3,479,320	$4,669,418	$5,101,356	$5,229,536	$5,379,556	$5,544,552	$5,704,114
Airline Systems and Equipment Revenue							
Airline Systems and Equipment Revenue	$8,196,020	$8,961,485	$9,914,289	$10,493,182	$10,835,990	$11,218,627	$11,633,558
Common Use Fee Revenue							
Common Use Gates	$2,286,198	$2,415,152	$2,971,507	$3,194,093	$3,481,665	$3,447,090	$3,611,763
Common Use Ticket Counters	$448,941	$454,112	$585,926	$644,030	$720,370	$698,853	$720,370
Common Use Baggage Make-Up	$546,406	$546,652	$686,084	$762,065	$855,950	$835,560	$848,220
TOTAL AIRLINE REVENUE	**$ 99,729,944**	**$ 108,826,292**	**$ 130,548,901**	**$ 137,968,745**	**$ 149,822,421**	**$ 157,496,645**	**$ 164,330,010**

NOTES:

1 Estimated FY 2024 values are actual for 12 months ending June 2024, including accruals, but not including adjustments.

SOURCES: Sacramento County Department of Airports, August 2024; Ricondo & Associates, Inc., August 2024.

TABLE A-7 AIRLINE COST PER ENPLANED PASSENGER

(Fiscal Years Ending June 30)

	ESTIMATED	PROJECTED					
	2024[1]	2025	2026	2027	2028	2029	2030
Passenger Airline Revenue							
Passenger Airline Landing Fee Revenue	$27,437,937	$31,786,301	$36,142,960	$35,728,431	$37,603,790	$38,834,765	$41,830,425
Aircraft Parking Fee Revenue	$2,281,019	$2,506,746	$3,594,992	$3,485,881	$3,512,786	$3,524,148	$4,660,700
Terminal Rental Revenue	$49,941,316	$52,257,763	$65,543,893	$72,622,043	$81,465,700	$87,365,808	$88,732,817
Loading Bridge Revenue	$3,479,320	$4,669,418	$5,101,356	$5,229,536	$5,379,556	$5,544,552	$5,704,114
Airline Systems and Equipment Revenue	$8,196,020	$8,961,485	$9,914,289	$10,493,182	$10,835,990	$11,218,627	$11,633,558
Common Use Gates	$2,286,198	$2,415,152	$2,971,507	$3,194,093	$3,481,665	$3,447,090	$3,611,763
Common Use Ticket Counters	$448,941	$454,112	$585,926	$644,030	$720,370	$698,853	$720,370
Common Use Bag Makeup	$546,406	$546,652	$686,084	$762,065	$855,950	$835,560	$848,220
Airline Revenue	**$94,617,156**	**$103,597,629**	**$124,541,006**	**$132,159,260**	**$143,855,808**	**$151,469,402**	**$157,741,968**
Less: Revenue Sharing	($6,769,405)	$0	($8,743,479)	($1,122,238)	$0	$0	$0
Net Passenger Airline Revenue[2]	**$87,847,751**	**$103,597,629**	**$115,797,528**	**$131,037,022**	**$143,855,808**	**$151,469,402**	**$157,741,968**
Total Projected Enplaned Passengers	6,597,156	6,839,860	7,035,778	7,232,005	7,428,641	7,626,059	7,824,373
Total Airline Cost per Enplaned Passenger After Revenue Sharing							
Current Dollars	$13.32	$15.15	$16.46	$18.12	$19.37	$19.86	$20.16
2024 Dollars[3]	$13.32	$14.71	$15.51	$16.58	$17.21	$17.13	$16.88

NOTES:

1 Estimated FY 2024 values are actual for 12 months ending June 2024, including accruals, but not including adjustments.

2 Includes signatory and non-signatory airlines

3 Inflation rate assumed at 3.0 percent, though rates may vary across the Projection Period.

SOURCES: Sacramento County Department of Airports, August 2024; Ricondo & Associates, Inc., August 2024.

TABLE A-8 (1 of 2) NET REVENUES AND DEBT SERVICE COVERAGE

(Fiscal Years Ending June 30)

	ESTIMATED	PROJECTED					
	2024[1]	2025	2026	2027	2028	2029	2030
RATE COVENANT - PER SECTION 6.04(a)							
Airline revenues	$99,729,944	$108,826,292	$130,548,901	$137,968,745	$149,822,421	$157,496,645	$164,330,010
Nonairline revenues	$128,673,585	$133,813,966	$159,329,580	$171,884,131	$178,750,600	$183,937,061	$189,197,395
Nonoperating revenues							
Interest income	$12,339,970	$12,586,769	$12,838,504	$13,095,275	$13,357,180	$13,624,324	$13,624,325
PFC revenue	$22,091,760	$26,724,015	$27,489,489	$28,256,167	$29,024,443	$29,795,775	$30,570,606
Other nonoperating revenue	$337,402	$345,015	$345,015	$345,015	$345,015	$345,015	$345,015
Adjust: Current Year Settlement	$15,652,353	$0	$0	$0	$0	$0	$0
Adjust: Prior Year Settlement	($3,083,364)	$0	$0	$0	$0	$0	$0
Adjust: Prior Year Revenue Sharing	($9,648,988)	$0	$0	$0	$0	$0	$0
Total Revenues	**$ 266,092,662**	**$ 282,296,057**	**$ 330,551,489**	**$ 351,549,332**	**$ 371,299,659**	**$ 385,198,819**	**$ 398,067,351**
Less: Operating expenses	$151,827,271	$165,636,958	$173,518,415	$187,703,902	$198,081,665	$207,869,988	$217,785,389
Exclude: PFC Revenue	($22,091,760)	($26,724,015)	($27,489,489)	($28,256,167)	($29,024,443)	($29,795,775)	($30,570,606)
Net Revenues	**92,173,630**	**89,935,084**	**129,543,586**	**135,589,264**	**144,193,550**	**147,533,056**	**149,711,355**
Transfers required by Sections 5.04(b) through (k)[2]							
Accrued Debt Service on Senior Obligations	$25,745,650	$46,185,650	$48,539,350	$66,296,771	$91,904,094	$99,781,669	$99,786,746
Accrued Debt Service on Subordinate Obligations	$16,705,500	$17,050,500	$17,051,750	$17,429,750	$17,434,750	$18,433,500	$19,430,250
Less: Available PFC Revenues	($16,705,500)	($17,050,500)	($17,467,067)	($18,392,096)	($18,399,172)	($19,395,269)	($20,393,346)
Total Transfers	$25,745,650	$46,185,650	$48,124,033	$65,334,425	$90,939,672	$98,819,900	$98,823,650
Debt Service Ratio Coverage (>1.00)	**3.58x**	**1.95x**	**2.69x**	**2.08x**	**1.59x**	**1.49x**	**1.51x**

TABLE A-8 (2 of 2) NET REVENUES AND DEBT SERVICE COVERAGE

(Fiscal Years Ending June 30)

	ESTIMATED	PROJECTED					
	2024[1]	2025	2026	2027	2028	2029	2030
RATE COVENANT - PER SECTION 6.04(b)(i)							
Net Revenues	$92,173,630	$89,935,084	$129,543,586	$135,589,264	$144,193,550	$147,533,056	$149,711,355
Transfer (limited to 25%)	$6,436,413	$11,546,413	$12,031,008	$16,333,606	$22,734,918	$24,704,975	$24,705,913
Net Revenues + Transfer	$98,610,043	$101,481,497	$141,574,594	$151,922,870	$166,928,469	$172,238,031	$174,417,268
Accrued Debt Service on Senior Obligations	$25,745,650	$46,185,650	$48,124,033	$65,334,425	$90,939,672	$98,819,900	$98,823,650
Debt Service Coverage (>1.25)	**3.83x**	**2.20x**	**2.94x**	**2.33x**	**1.84x**	**1.74x**	**1.76x**
RATE COVENANT - PER SECTION 6.04(b)(ii)							
Net Revenues	$92,173,630	$89,935,084	$129,543,586	$135,589,264	$144,193,550	$147,533,056	$149,711,355
Transfer (limited to 10%)	$2,574,565	$4,618,565	$4,812,403	$6,533,443	$9,093,967	$9,881,990	$9,882,365
Net Revenues + Transfer	$94,748,195	$94,553,649	$134,355,989	$142,122,706	$153,287,518	$157,415,046	$159,593,720
Accrued Debt Service on Senior and Subordinate Obligations	$25,745,650	$46,185,650	$48,124,033	$65,334,425	$90,939,672	$98,819,900	$98,823,650
Debt Service Coverage (>1.10)	**3.68x**	**2.05x**	**2.79x**	**2.18x**	**1.69x**	**1.59x**	**1.61x**
RATE COVENANT - PER SECTION 6.04 (b)(iii)							
Net Revenues	$92,173,630	$89,935,084	$129,543,586	$135,589,264	$144,193,550	$147,533,056	$149,711,355
Accrued Debt Service on Senior and Subordinate Obligations	$25,745,650	$46,185,650	$48,124,033	$65,334,425	$90,939,672	$98,819,900	$98,823,650
Debt Service Coverage (>1.00)	**3.58x**	**1.95x**	**2.69x**	**2.08x**	**1.59x**	**1.49x**	**1.51x**

NOTES:

PFC - Passenger Facility Charge

1 Estimated FY 2024 values are actual for 12 months ending June 2024, including accruals, but not including adjustments. FY 2024 information reflects data used for purposes of the analysis included in this Report. As of the date of this Report, the County's estimated FY 2024 coverage on Senior Obligations is 4.11x.

2 The calculation of the rate covenant pursuant to Section 6.04(a) includes only the items for which a transfer was required during the Fiscal Year. 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.

SOURCES: Sacramento County Department of Airports, August 2024; Ricondo & Associates, Inc., August 2024.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX B

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2023

The finances of the Airport System are reported as an "enterprise fund" in the Annual Comprehensive Financial Report of the County. The Annual Comprehensive 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 2024 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 Annual Comprehensive Financial Report of the County does not create any implication that any of such other funds are available for payment of the Series 2024 Senior Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

SACRAMENTO COUNTY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

COUNTY OF SACRAMENTO

STATE OF CALIFORNIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CHAD RINDE

DIRECTOR OF FINANCE

Photo Credit: **Edelmira Rodriguez, Account Clerk II**
Department of Finance

The cover image captures one of the murals and blossomed trees during summer at the County's Administration building in downtown Sacramento.
This photo was taken in August 2023 when all the flowers had bloomed.

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2023

COUNTY OF SACRAMENTO
STATE OF CALIFORNIA

Chad Rinde, Director of Finance

COUNTY OF SACRAMENTO
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Table of Contents

This page intentionally left blank

ANNUAL COMPREHENSIVE FINANCIAL REPORT

INTRODUCTORY SECTION

Department of Finance

Chad Rinde

Director

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

County of Sacramento

November 28, 2023

To the Citizens of Sacramento County
Sacramento, California

Dear Citizens:

The Annual Comprehensive Financial Report (ACFR) of the County of Sacramento (County) for the fiscal year ended June 30, 2023, 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 County's financial statements are accurate in all material respects and presented as of a for the fiscal year ended June 30, 2023. All disclosures necessary to enable the reader to gain an understanding of the County’s financial activities have been included.

The ACFR 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, 2022 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, a list of public officials, and acknowledgment section. 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 individual nonmajor fund financial statements and schedules 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 County's MD&A and should be read in conjunction with it. The County’s MD&A, which is unaudited, can be found on pages 5 - 22 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 (Board), 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 (2026, 2030, etc.), while supervisors from District 3 and District 4 are elected in presidential election years (2024, 2028, 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., County of Sacramento 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, these blended component units are accounted for in the governmental funds, enterprise funds, and fiduciary component unit as disclosed in the notes to the accompanying financial statements.

ECONOMIC CONDITION AND OUTLOOK

At the national level, the economy continues to expand at a moderate rate, with Gross Domestic Product (GDP) increasing at an annual rate of 2.1 percent for the second quarter of 2023. As the Federal Open Market Committee continues to increase interest rates to slow historically high inflation, some economists expect a recession in the near term, while others point to signs of slowing inflation and a continued strong labor market. According to the U.S. Bureau of Labor Statistics, the Consumer Price Index for All Urban Consumers increased at an annual rate of 3.0 percent as of the twelve months ended on June 30, 2023, down from the June 30, 2022 12-month increase in overall prices of 9.1 percent.

Housing Market

The U.S. Census Bureau and U.S. Department of Housing and Urban Development jointly reported that housing starts in July 2023 decreased 2.5 percent from May 2023 and were 23.8 percent below the June 2022 level. Permits for new construction, a sign of future demand, have increased 0.1 percent from June to July 2023 but are 13.0 percent below the July 2022 level.

Active listings increased 7.1 percent nationally over the last year, according to a report from Realtor.com, while the total inventory of unsold homes decreased by 9.1 percent. The median home price decreased in June 2023 by 0.9 percent year-over-year nationally and the typical home spent 44 days on the market in June 2023, compared to the average 13 days during June 2022. In California, median home prices continued to stabilize, despite an increase in mortgage rates. A report from the California Association of Realtors showed that in July 2023 the median home price was $838,260, an increase of 0.3 percent over the last year.

According to the Federal Reserve Bank of St. Louis, the House Price Index (HPI), a broad measure of the movement of single-family property prices, in the Sacramento, Roseville, and Folsom Metropolitan Statistical Area (MSA) was 378.57 in January 2023, down from 387.56 in January 2022. According to a recent report from the California Association of Realtors, the median home price within Sacramento County was $530,000 as of June 2023, a 5.4 percent decrease over the prior year.

In FY 2022-23, the County's property tax assessment roll increased by 8.0 percent, following an increase of 5.2 percent in FY 2021-22. The County is expecting growth of 7.4 percent in FY 2023-24 property taxes, which are based on assessed values as of January 1, 2023. The recent growth in assessed values is due to a combination of factors, including construction of new homes, sales of existing property with higher values, and annual inflation of assessed values as permitted by State law.

Labor Market

According to the Bureau of Labor Statistics, the national unemployment rate remained 3.6 percent when comparing June 2022 and 2023. The number of jobs added to nonfarm payroll from May 2023 to June 2023 was 209,000. Notable employment gains in June 2023 occurred in government, healthcare, social assistance, and construction. Both the unemployment rate, at 3.6 percent, and the number of unemployed person, at 6.0 million, changed little in June 2023.

According to a report by the California State Employment Development Department Labor Market Information Division, the unemployment rate in the Sacramento, Roseville, and Arden-Arcade MSA was 4.4 percent in June 2023, up from 4.0 percent in May 2023, and above 3.7 percent from June 2022. Between June 2022 and June 2023, total jobs in the region increased 3.1 percent, or 33,700 jobs, in the areas of public and private education, health services, social assistance, government, and professional services.

Tax Abatements

The County currently offers two types of assessment that meet the tax abatement criteria. The tax abatements, justification and economic benefit are as follows:

Williamson Land Conservation Act which the County offers to restrict the usage of specific parcels to preserve agricultural and other open space lands. The future economic impact is approximately $1,000,000 of abated revenue per year.

Mills Act which the County offers to promote the restoration and preservation of qualified historic buildings by private property owners. This requires the building owners maintain its historic character and to use it in a manner compatible with its historic features. The future economic impact is approximately under $30,000 of abated revenue per year.

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 fund General Fund programs in future years, but also recognizing the difficulties in predicting future year economic and fiscal conditions, County staff prepares a Multi-Year Sensitivity Analysis that estimates what the impact could be on the General Fund’s fiscal condition under three different scenarios: a Baseline Scenario, that staff believes is the most realistic scenario to use for planning purposes, and More Conservative and More Optimistic Scenarios. Each of the scenarios makes different assumptions about what the General Fund’s discretionary revenue and Net County Cost will be through FY 2031-32, with the following estimated results:

- The *Baseline Scenario* shows that the General Fund's unrestricted fund balance at the end of FY 2031-32 would be around $230 million, representing a decrease of approximately $60 million from the estimated FY 2023-24 unrestricted fund balance as Net County Cost is expected to exceed discretionary revenue in the near term.
- Under the *More Conservative Scenario*, the projected unrestricted fund balance would be a negative beginning in FY 2029-30. As a practical matter, the County would begin making significant reductions in General Fund programs earlier in the forecast period to ensure the unassigned would not become negative.
- Under the *More Optimistic Scenario*, the projected unrestricted fund balance at the end of FY 2031-32 would increase to approximately $800 million.

The wide range of projected results in each of the three scenarios illustrates the sensitivity of the projections to the assumptions used in developing them. Additionally, future circumstances may vary widely from the assumptions made in developing these projections for a wide variety of reasons, with actual results falling outside the projection range.

In addition to a General Fund Sensitivity Analysis, each year County staff prepares a multi-year Capital Improvement Plan (CIP) and a Technology Improvement Plan (TIP) for consideration by the Board of Supervisors. The most recent CIP and TIP was approved by the Board in June 2023 and identified capital and technology needs through FY 2027-28.

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 10.0 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 structured balance. Any plan to achieve structural balance should include a provision to replenish the General Reserves to the 10.0 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.

The FY 2023-24 Adopted Budget complied with this policy by increasing General Reserves in an amount equal to 10% of the General Fund Available Fund Balance carry-forward, for a total increase of $16 million.

In September 2023, the Board adopted a new General Fund Reserve Policy that will be effective starting with the FY 2024-25 budget process.

County Budget Priorities

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

1. Complying with the County's legal, financial, regulatory and policy obligations, including providing mandated services, ensuring collection of revenues, and complying with the General Reserves policy.
2. Maintaining existing service levels budgeted for County programs, improving effectiveness and efficiency where possible and limiting the extent to which reductions in categorical revenue are backfilled with discretionary resources.
3. Funding new or enhanced programs that focus on the most critical and urgent needs, with the following priority focus areas identified in a survey of County residents:
   - A Countywide focus area of addressing homelessness and its impacts, including housing, mental health and substance use.
   - An unincorporated focus area of improving the condition of streets and roads.

MAJOR INITIATIVES

In the FY 2023-24 budget, Sacramento County is implementing or continuing a number of initiatives in each of the major functional areas of Social Services, Community Services, Public Safety and Justice, Administrative Services, and General Government.

Social Services: Major Initiatives in County Social Services departments include:

- Continuing and new programs addressing homelessness, including implementation and operating of Safe Stay Communities and expansion of the Landlord Engagement and Assistance Program (LEAP);
- Continuing Behavioral health continuum of care build-out, including building out a second, 50-bed Mental Health Urgent Care, developing three new forensic outpatient centers, and expanding existing community-based outpatient services with a large focus on serving youth and the unsheltered community;
- Foster family home recruitment;
- Continued Public Health's implementation of SB 1383, the Edible Food Recovery Program along with the Community Health Improvement Plan (CHIP);
- Continued development and phase one implementation of the Social Health Information Exchange (SHIE).

Several of these initiatives, including Safe Stay Communities, LEAP, and SHIE, are partially funded with the County's allocation of State and Local Fiscal Recovery Funds under the American Rescue Plan Act (ARPA).

Community Services: Major initiatives in Community Services departments include:

- SMForward, $1.3 billion expansion project at Sacramento International Airport, including a new pedestrian walkway, terminal expansions, a new parking garage, a consolidated ground transportation center, and a new rental car facility;
- Substantial investment in County road maintenance, including additional funding for road paving associated with utility projects;
- Continued development and adoption of the Communitywide Climate Action Plan;
- Updating the County's General Plan;
- Continued implementation of organic waste collection in compliance with new State law;
- Retooling the development review process;
- Streamlining the Building Permit process.

Public Safety and Justice: Major initiatives in the Public Safety and Justice area include:

- Continued relationship and trust building with communities affected by law enforcement;
- Meeting the County's obligations under the Mays Consent Decree related to conditions of confinement in the County's jails, including alternatives to incarceration;
- Continued criminal Justice System Countywide mapping and data sharing.

Administrative Services and General Government: Major initiatives in the Administrative Services area include:

- Continuing a multi-year implementation of a new property tax system;
- Additional funding for sustainability capital projects at County Facilities;
- Enhanced staffing and equipment in the County's Emergency Operations Center;
- Countywide diversity, equity and inclusion (DEI) cultural transformation;
- Organization culture change initiative.

DEPARTMENT FOCUS

Each year, we select activities or functions of the County to highlight particular successes or accomplishments. For FY 2022-23, we have selected the following activities:

Human Assistance (DHA)

- Implemented the CalWORKs Intake Service Center on April 10, 2023. The CalWORKs Intake Service Center (CWISC) initiative was a two-year project that involved a comprehensive overhaul of the current intake process across Sacramento County. As a result, these efforts culminated in the successful establishment of a streamlined system that enables customers to conveniently apply for benefits through phone, in-person, and online channels, from initiation to completion.

Health Services

- The Primary Health Services division continued to seek innovative service offerings to meet the needs of vulnerable populations including acquiring a grant to bolster HIV prevention and outreach work in collaboration with Public Health, expanding a School-Based Mental Health pilot program to improve the provision of accessible services to students, and continuing the Refugee Health Assessment Program that served a significant number of refugees, mostly from Afghanistan.
- The Behavioral Health Services division successfully implemented new adult Community Outreach, Recovery, Empowerment (CORE) programs, the Homeless Encampment and Response Team (HEART), Assisted Outpatient Treatment (AOT) programs, and a Fentanyl Awareness Campaign. The division served over 38,000 consumers in the Mental Health and Substance Use Prevention and Treatment (SUPT) programs.
- The Public Health Services division established a field nursing unit to provide support to the homeless encampment teams and another team to take referrals for families with at-risk young children. In addition, the division formed a Health and Racial Equity (HRE) Unit to expand and build health and racial equity programs, policies, and practices to eliminate, mitigate, and prevent existing and future health disparities and inequities that people of color and underserved communities face in the County.

Finance

- Expanded online capabilities to assist with electronic customer billing and payment services.
- In collaboration with the Department of Technology, completed the vendor selection process and contract negotiations for a new property tax system.

Probation

- Expanded the Valley Oak Youth Academy program, supported by Senate Bill 823 Division of Juvenile Justice Realignment in the Youth Detention Facility and Juvenile Field Services. Probation is responsible for care and custody of youth committed to the secure youth treatment facility as well as supervision of youth reentering the community, by order of the Juvenile Court. The expansion added two additional housing units, embedded staff from Department of Health Services, and directed supplies and services for realigned youth.

Jail Diversion Efforts

- Probation continued to increase programming capacity in the Jail Diversion Treatment and Resource Center, which opened in December 2021 and provides court referral, easily accessible, community-based, individualized support services, and linkages for adult Probation clients in need of substance abuse or mental health treatment.
- The Public Defender continued to expand its adult holistic service programs including mental health diversion, pretrial support, and record clearing. These programs seek to treat substance use disorders, mental illness, and overcome barriers to employment, housing, and educational opportunities.

Emergency Services

- Activated the Emergency Operations Center for a functional exercise involving 119 participants through a Federal Emergency Management Agency (FEMA) direct services grant for exercise development and technical assistance.
- Implemented an interdepartmental and community standing task force for Senate Bill 552, which imposes new drought planning requirements, and completed a draft drought resilience plan that meets requirements under the law.
- Implemented a public education campaign including the purchase of public educational materials, through the Public Safety Power Shut Off and Community Power Resilience Grants.

Community Development

- The Building Permit and Inspections division fully implemented the EZ Permit, which allows customers to apply and pay online for Residential and Commercial basic permits (water heaters, reroofs, electrical, etc.) without a Plan Review. This has allowed for a quicker turnaround time for customers and has given staff more time to work on larger permit applications.

Budget and Debt Management

- Issued the 2023 Refunding Pension Obligation Bonds that generated $6.8 million in net present value savings and transitioned the prior 2008 Pension Obligation Bonds from the London Interbank Offered Rate (LIBOR) to the Secured Overnight Financing Rate (SOFR) prior to the end of publication of LIBOR**.**
- Issued the 2022 Metro Air Park Community Facilities District Bonds obtaining $37 million in new money proceeds while refunding the 2004A and 2007B Bonds for net present value savings of $13.6 million.

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 and Fiduciary 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 2022-23 Single Audit will be issued under a separate cover and will be available by contacting the Department of Finance, Auditor-Controller Division, after March 31, 2024.

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, and Capital Projects Funds, is adopted no later than 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 Welfare Special Revenue Fund; 2) Tobacco Securitization Authority of Northern California Debt Service Fund; 3) Sacramento County Public Financing Authority Debt Service Fund; and 4) Improvement Bond Act of 1911 Capital Projects 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. During FY 2022-23, amendments were made to the final adopted budget. The budget data reflected in this ACFR 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, Washington supranationals, and U.S. Treasury and Agency investments. The average yield on investments during FY 2022-23 was 3.31 percent. The yield for a one-year Constant Maturity U.S. Treasury Note during the same period was 4.42 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 liability/property', workers' compensation, unemployment and dental insurance 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 annual comprehensive financial reports for each of the last 34 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 annual comprehensive 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,

Chad Rinde
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

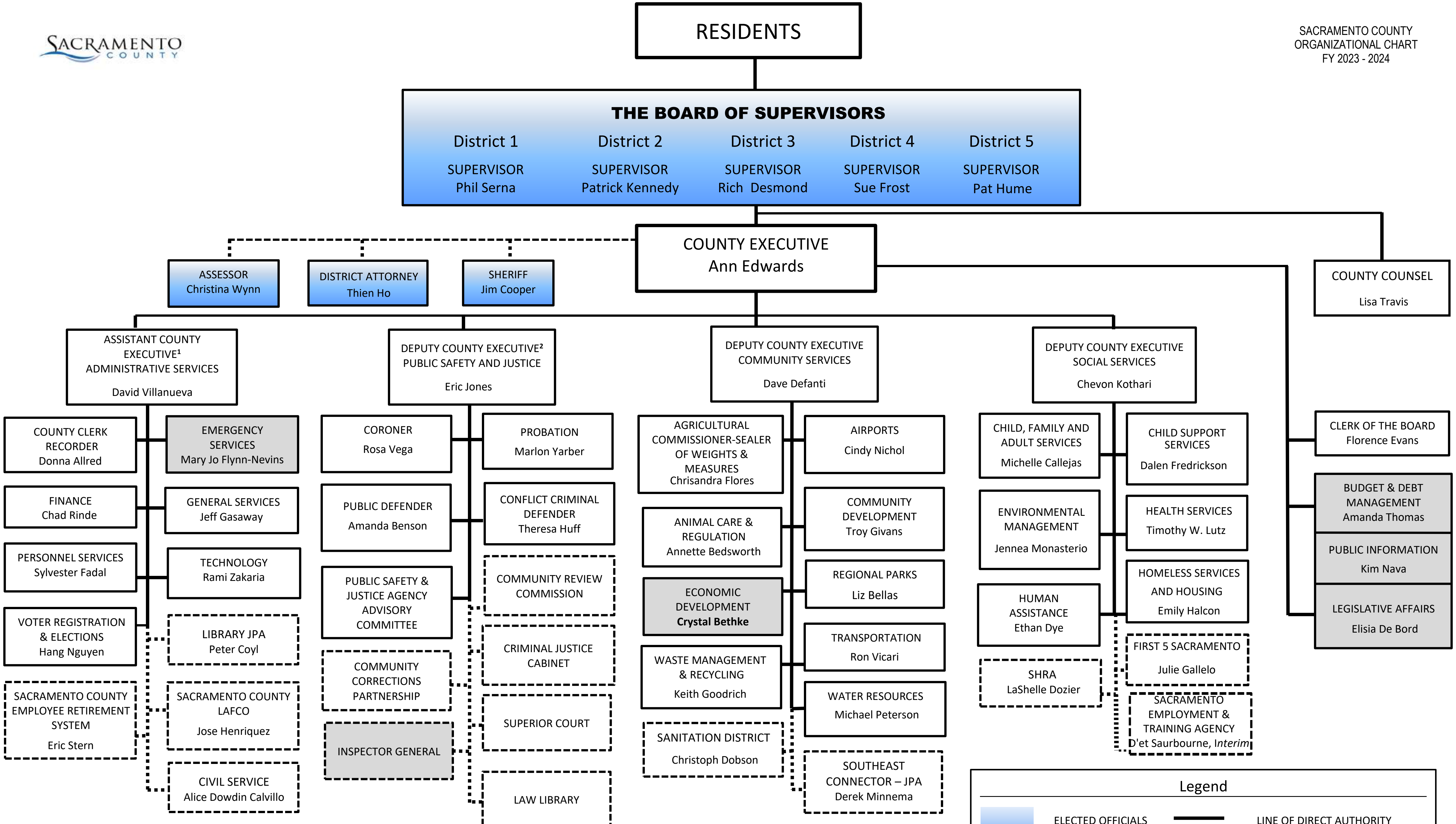
County of Sacramento California

For its Annual Comprehensive Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO



Notes: 1 – Liaison to Assessor
2 – Liaison to District Attorney and Sheriff

COUNTY OF SACRAMENTO
LIST OF PUBLIC OFFICIALS
JUNE 30, 2023

ELECTED:

Board of Supervisors:

Phil Serna	District 1
Patrick Kennedy, Vice Chair	District 2
Rich Desmond, Chair	District 3
Sue Frost	District 4
Pat Hume	District 5

Department Heads:

Christina Wynn	Assessor
Thien Ho	District Attorney
Jim Cooper	Sheriff

APPOINTED:

Ann Edwards	County Executive
David Villanueva	Assistant County Executive
Chad Rinde	Director of Finance

THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE

COUNTY OF SACRAMENTO

For the Fiscal Year Ended June 30, 2023

ACKNOWLEDGEMENT

Prepared by the County of Sacramento
Department of Finance

Chad Rinde, Director of Finance
Joyce Renison, Deputy Director of Finance
Mark Aspesi, Assistant Auditor-Controller
Sean Stoyanowski, Chief of Financial Reporting and Control
Jun Nguyen, Senior Accounting Manager
Olga Chernioglo, Accounting Manager
Olga Bachylo, Accounting Manager
Greg Cundari, Accounting Manager
Zongchar Moua, Senior Accountant
Brian Stangland, Senior Accountant

This page intentionally left blank

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FINANCIAL SECTION

Independent Auditor's Report

Honorable Board of Supervisors
County of Sacramento, California

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 the County of Sacramento, California (County), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying 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, 2023, 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 United States of America.

We did not audit the financial statements of the Sacramento County Employees' Retirement System (SCERS), a fiduciary component unit, which represent 64.8% of the assets, 66.0% of the fund balances/net position, and 5.1% of the revenues/additions of the aggregate remaining fund information as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for SCERS, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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
500 Capitol Mall, Suite 2200
Sacramento, CA 95814

www.mgocpa.com

Emphasis of Matter

As discussed in Notes 1, 5, 7, and 8 to the basic financial statements, effective July 1, 2022, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The County's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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 combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. 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.

Other Information

The County's management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section, statistical section, and bond disclosures but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023, 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.

Sacramento, California
November 28, 2023

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(dollar amounts expressed in thousands unless otherwise noted)

This section of the County of Sacramento's (County) annual comprehensive financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2023. 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 fiscal year (FY) 2022-23 by $2,649,337 (net position). Of this amount, $1,125,137 is restricted for specific purposes (restricted net position), and $2,756,611 is the County's net investment in capital assets. The County's total net position increased by $641,421 during the current fiscal year.

- As of June 30, 2023, the County governmental funds reported combined fund balances of $1,430,597 for an increase of $184,752, in comparison with the prior fiscal year. Total amounts available for spending include restricted, assigned, and unassigned fund balances, which totaled $1,379,776 (96.4 percent), of the ending fund balance. Of this amount, $1,033,523 is restricted by law, enabling legislation, or externally imposed requirements. Total fund balance for the General Fund increased $42,976 to $767,539, which equates to 24.8 percent of total General Fund expenditures for the current fiscal year.

- At the end of the fiscal year, assigned fund balance for the General Fund was a positive $236,882 or 7.6 percent of total General Fund expenditures. Unassigned fund balance was $109,371 or 3.5 percent of total General Fund expenditures. Restricted Fund Balance was $370,465 or 12.0 percent of total General Fund expenditures.

- The County's investment in capital assets increased by $73,813 or 1.7 percent in comparison with June 30, 2022.

- The County's total long-term obligations had a net decrease of $79,094 in comparison with June 30, 2022 balances as the prior year balances were not restated in the MD&A, with the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Per Note 8 with restated balances, the County's total long-term obligations, in fact, had a net decrease of $84,151. This net decrease was comprised of a gross decrease of $543,146 and a gross increase of $458,995 in long-term obligation activities. The decrease resulted primarily from scheduled principal retirements of revenue bonds, certificates of participation, teeter notes, and refunding of pension obligation bonds. The increase resulted primarily from the issuance of the refunding pension obligation bonds, Teeter note, implementation of GASB Statement No. 96, and issuance of a loan agreement.

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; Sacramento County Groundwater Sustainability Agency; Sunrise, Carmichael, and Mission Oaks Recreation and Park Districts. The Tobacco Securitization Authority of Northern California (Tobacco 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 Tobacco Authority and the County. The liabilities of the Tobacco 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 liabilities of the PFA belong solely to it, and neither the County nor the Agency are in any way responsible for those liabilities. The Public Facilities Financing Corporation (Corporation) was created by the County for the purpose of facilitating the financing of public projects within the County. For financial reporting purposes 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 Sacramento County Employees' Retirement System (SCERS) is a public entity legally separate from the County and is considered a fiduciary component unit of the County due to governing board control and financial burden due to employer contributions. Community Facility Districts (CFD) are also blended component units of the County due to the governing board being substantially the same, and due to a financial benefit from the construction of various assets within the Capital Projects Funds. The debts associated with the CFDs belong to the CFD, therefore none of the debt is reflected within these Financial Statements. The County also acts as the agent for the property owners in regards to these CFDs, which means the County reports the collection and payments of assessments to the bondholders in Custodial Funds. Examples are Laguna Stonelake CFD No. 1; Laguna Creek Ranch/Elliott Ranch No. 1 Improvement Area No.1 and No.2; and Metro Air Park CFD.

First 5 Sacramento Commission (Commission) is reported as a discretely presented component unit. Although the County Board of Supervisors (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.

The government-wide financial statements can be found on pages 23 - 26 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 42 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*.

The governmental funds financial statements can be found on pages 27 - 30 of this report. The General Fund statement of revenues, expenditures and changes in fund balance budget and actual statement is found on pages 31 - 32 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; workers' compensation self-insurance; other self-insurance for unemployment claims and dental 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*.

The proprietary funds financial statements can be found on pages 33 - 39 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. Fiduciary funds report the Pension Trust Fund, Investment Trust Fund, Private-Purpose Trust Fund, and Custodial Funds.

The fiduciary fund financial statements can be found on pages 40 - 42 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 43 - 144 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for nonmajor governmental, enterprise, internal service, and custodial funds, and can be found on pages 151 - 227 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 $2,649,337 at the close of the most recent fiscal year (see Condensed Statement of Net Position and analysis on page 9).

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 includes the fair value of plan investments. The County's proportionate share of the SCERS NPL increased by $1,162,714 in FY 2022-23 to $1,566,246, primarily due to unfavorable investment return (about $1.4 billion less than expected). 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 increased by $12,787 in FY 2022-23 to $568,543. Deferred inflows of resources related to pensions decreased by $1,350,755 in FY 2022-23 to $177,784.

Governmental activities increased the County's net position by $497,737, from $359,521 to $857,258 in the current fiscal year. The County's long-term liabilities (excluding pension and OPEB) decreased by $94,216, capital assets increased by $32,610, and current and other assets increased by $288,289. The County's improvement in net pension related items totaled $190,798 and total OPEB related items improved $5,489. The changes in capital assets and long-term liabilities are discussed in the Capital Assets and Debt Administration section of the Management's Discussion and Analysis (MD&A).

Business-type activities increased the County's net position by $143,684 to $1,792,079 in the current fiscal year. See page 15 for additional comments on changes to enterprise funds net position.

Condensed Statements of Net Position
June 30, 2023 and 2022
(amounts expressed in thousands)

Primary Government	Governmental Activities		Business-type Activities		Total	
	2023	2022[A]	2023	2022[A]	2023	2022[A]
Assets:						
Current and other assets	$ 2,617,664	2,329,375	968,864	828,931	3,586,528	3,158,306
Capital assets, net of depreciation/amortization	2,142,692	2,110,082	2,286,723	2,245,520	4,429,415	4,355,602
Total assets	4,760,356	4,439,457	3,255,587	3,074,451	8,015,943	7,513,908
Deferred outflows of resources:						
Accumulated decrease in fair value of SWAP agreement	16,537	34,426	17,602	33,232	34,139	67,658
Deferred amounts related to refundings	18,565	20,146	25,293	27,697	43,858	47,843
Deferred outflows related to pensions	539,744	526,667	28,799	29,089	568,543	555,756
Deferred outflows related to OPEB	21,574	23,893	1,241	1,239	22,815	25,132
Total deferred outflows of resources	596,420	605,132	72,935	91,257	669,355	696,389
Liabilities:						
Current and other liabilities	1,046,261	950,299	154,226	142,254	1,200,487	1,092,553
Long-term debt obligations	1,562,433	1,656,649	1,254,493	1,239,371	2,816,926	2,896,020
Net pension liability	1,500,794	394,399	65,452	9,133	1,566,246	403,532
Total OPEB liability	129,157	139,988	7,080	7,218	136,237	147,206
Total liabilities	4,238,645	3,141,335	1,481,251	1,397,976	5,719,896	4,539,311
Deferred inflows of resources:						
Deferred amounts related to refunding			3,719	4,322	3,719	4,322
Deferred inflows related to pensions	169,381	1,453,497	8,403	75,042	177,784	1,528,539
Deferred inflows related to OPEB	66,945	63,922	4,047	4,074	70,992	67,996
Deferred inflows related to leases	24,547	26,314	39,023	35,899	63,570	62,213
Total deferred inflows of resources	260,873	1,543,733	55,192	119,337	316,065	1,663,070
Net position:						
Net investment in capital assets	1,536,121	1,513,277	1,220,490	1,177,876	2,756,611	2,691,153
Restricted	995,823	826,031	129,314	107,360	1,125,137	933,391
Unrestricted	(1,674,686)	(1,979,787)	442,275	363,159	(1,232,411)	(1,616,628)
Total net position	$ 857,258	359,521	1,792,079	1,648,395	2,649,337	2,007,916

A) 2022 balances were not restated due to GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Net Position. The largest portion of the County's net position totaling $2,756,611, reflects its net investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, right-to-use assets, and equipment plus deferred outflows of resources less deferred inflows of resources related to debt, net of depreciation/amortization 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 $65,458, increase in net position from the net investment in capital assets represents capital acquisitions and deletions, less current year depreciation/amortization, and the addition and/or retirement of related long-term debt. Capital asset additions, net of construction in progress transfers totaling $322,608 were related primarily to infrastructure (roads and road improvements), building projects, additions to equipment, and additions of the the right-to-use assets due the implementation of GASB 96. The County recorded depreciation/amortization of $253,294 against its assets in the current fiscal year.

Another significant portion of the County's net position totaling $1,125,137 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 $34,885, capital projects $210,929, health and sanitation programs $195,852, public protection $184,839, public assistance $101,510, passenger facility charges $51,935, transportation programs $207,645, economic development programs $47,659, and general government programs $22,154. The County's restricted net position increased by $191,746 from the prior year restricted net position amount of $933,391. The increase is primarily due to increased governmental funding in law enforcement services as well as timing of revenues and expenses relating to road and roadway projects.

The remaining balance of total net position, a negative $1,232,411 is unrestricted. Unrestricted net position increased by $384,217 from the prior year. The increase is primarily the result of increased tax revenues and investment earnings due to favorable market conditions, and the aforementioned net changes in pension and OPEB related items.

The County's total net position increased by $641,421 during the current fiscal year, which results in an increase of 31.9 percent of total net position from prior year.

Revenues. When compared to the prior year, government-wide revenues increased approximately $347,121 (8.5 percent). Program revenues increased by $274,283 (10.5 percent) mostly due to an increase in operating grants and contributions of $187,860 (11.3 percent). 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 64.8 percent of the County's funding.

General revenues increased by $72,838 (4.9 percent). These revenues 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 $43,493 (7.0 percent), and unrestricted investment earnings $90,853 (3,469.0 percent). These increases were offset by decreases in grants and contributions not restricted to a specific program ($47,741) ((7.5) percent), sales and use tax of ($8,498) ((4.7) percent). Total general revenues represent 35.2 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 414 FTEs from 13,009 in the prior year to 13,423 at June 30, 2023. When compared to the prior year, government-wide expenses increased $531,710 (16.3 percent). The following functions provided the most significant increases in expenses in the current year: general government $80,776 (46.2 percent); public assistance $88,063 (12.0 percent); public protection $172,549 (19.4 percent); health and sanitation $125,652 (15.5 percent); and public ways $21,138 (12.0 percent). These increases are due to changes in payroll cost other postemployment benefits, pension related items, road related projects/activities, and 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 Statements of Activities
For the Fiscal Years Ended June 30, 2023 and 2022
(amounts expressed in thousands)

Primary Government	Governmental Activities		Business-type Activities		Total	
	2023	2022[A]	2023	2022[A]	2023	2022[A]
Revenues:						
Program revenues:						
Charges for services	$ 453,540	442,388	455,840	418,881	909,380	861,269
Operating grants and contributions	1,828,897	1,601,501	14,377	53,913	1,843,274	1,655,414
Capital grants and contributions	55,303	29,901	68,857	55,947	124,160	85,848
General revenue:						
Taxes:						
Property	661,728	618,235			661,728	618,235
Transient occupancy	5,748	6,660			5,748	6,660
Sales and use	171,604	180,102			171,604	180,102
Unrestricted investment earnings	64,178	(371)	24,056	(2,248)	88,234	(2,619)
Grants and contributions not restricted to specific programs	588,307	636,048			588,307	636,048
Pledged tobacco settlement	14,672	17,690			14,672	17,690
Miscellaneous	34,301	35,640			34,301	35,640
Total revenues	3,878,278	3,567,794	563,130	526,493	4,441,408	4,094,287
Expenses:						
General government	255,607	174,831			255,607	174,831
Public assistance	821,921	733,858			821,921	733,858
Public protection	1,062,181	889,632			1,062,181	889,632
Health and sanitation	936,391	810,739			936,391	810,739
Public ways and facilities	197,513	176,375			197,513	176,375
Recreation and culture	52,201	42,941			52,201	42,941
Education	2,085	1,904			2,085	1,904
Interest and fiscal charges	58,808	67,058			58,808	67,058
Airports			231,997	208,680	231,997	208,680
Solid Waste			109,285	95,808	109,285	95,808
Water Agency			67,312	61,935	67,312	61,935
Parking Enterprise			1,801	1,708	1,801	1,708
County Transit			2,885	2,808	2,885	2,808
Total expenses	3,386,707	2,897,338	413,280	370,939	3,799,987	3,268,277
Changes in net position before transfers	491,571	670,456	149,850	155,554	641,421	826,010
Transfers	6,166	7,267	(6,166)	(7,267)		
Changes in net position	497,737	677,723	143,684	148,287	641,421	826,010
Net position (deficit), beginning of year	359,521	(318,202)	1,648,395	1,500,108	2,007,916	1,181,906
Net position, end of year	$ 857,258	359,521	1,792,079	1,648,395	2,649,337	2,007,916

A) 2022 balances were not restated due to GASB Statement No. 96, *SBITA*.

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, 2023, the County's governmental funds reported combined fund balances of $1,430,597, an increase of $184,752 in comparison with the prior year's total ending fund balance of $1,245,845. The components of total fund balance are as follows (for more information, see Note 18 – Fund Balances):

- *Nonspendable fund balance*, $50,821, are amounts that are not in spendable form or are legally or contractually required to be maintained intact, and are made up of 1) inventories of $2,826; 2) prepaid items of $39,175; 3) long-term receivables/advances of $2,089; 4) legally required Teeter Tax program loss reserves of $6,135; and 5) Teeter Tax delinquencies of $596.

- *Restricted fund balance*, $1,033,523, 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 $187,983; 2) capital projects of $204,885; 3) public ways and facilities of $200,853; 4) public protection of $184,839; 5) debt service of $55,814; 6) economic development of $47,659; and 7) public assistance $101,510.

- A*ssigned fund balance*, $236,882, represents amounts intended for use as determined by the County Board of Supervisors.

Approximately 96.4 percent, or $1,379,776, of the total fund balances is considered spendable. With the exception of the nonspendable portion totaling $50,821, $1,033,523 is available for appropriation for restricted purposes, $236,882 is assigned for County Board of Supervisors approved uses, and $109,371 is unassigned.

The increase of $184,752 in the governmental funds combined fund balance is attributable to an increase in the General Fund totaling $42,976, special revenue funds totaling $53,393, $87,403 in the capital project funds, and $980 in the debt service funds.

The General Fund is the principal operating fund of the County. The General Fund's total fund balance increased by 5.9 percent, or $42,976, to $767,539 at June 30, 2023. The nonspendable portion of fund balance was $50,821, which is an increase of $8,969 from the prior year balance of $41,852 and the spendable portion was $716,718, an increase of $34,007 from the prior year spendable balance of $682,711. General Fund revenues increased by $244,115, while expenditures increased by $377,851 when compared to FY 2021-22. See analysis beginning on page 13 for analysis of significant changes in revenues and expenditures for the General Fund.

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 24.8 percent of total General Fund expenditures while spendable fund balance equates to 23.1 percent of total General Fund expenditures. Of the General Fund spendable fund balance, $370,465, or 51.7 percent, is restricted.

Other governmental funds: The total fund balances of the remaining governmental funds increased 27.2 percent, or $141,776, to $663,058. Other governmental funds revenues increased by $105,168, while expenditures increased by $67,201. See analysis beginning below for significant changes in revenues and expenditures for other governmental funds.

Revenues for total governmental funds totaled $3,907,721 in FY 2022-23, which represents an increase of $349,283 or 9.8 percent from FY 2021-22.

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 2023		FY 2022		Increase/(Decrease)	
Revenue by Source	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	$ 839,080	21.47 %	804,997	22.62 %	34,083	4.23 %
Use of money and property	62,866	1.61 %	2,564	0.07 %	60,302	2,351.87 %
Licenses and permits	72,026	1.84 %	76,472	2.15 %	(4,446)	(5.81)%
Intergovernmental	2,464,300	63.06 %	2,256,029	63.40 %	208,271	9.23 %
Charges for sales and services	346,149	8.86 %	327,276	9.20 %	18,873	5.77 %
Fines, forfeitures and penalties	35,500	0.91 %	38,571	1.08 %	(3,071)	(7.96)%
Pledged tobacco settlement	15,463	0.40 %	17,044	0.48 %	(1,581)	(9.28)%
Contributions from property owners	37,239	0.95 %			37,239	
Miscellaneous	35,098	0.90 %	35,485	1.00 %	(387)	(1.09)%
Total	$ 3,907,721	100.00 %	3,558,438	100.00 %	349,283	9.82 %

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

- Taxes increased $34.1 million, of which the General Fund had an increase of $26.1 million. The increase is primarily due to $43.5 million increase in property tax revenue due to higher assessed property values and a decrease of $9.5 million in sales/use taxes revenues due to lower spending during the fiscal year.

- Use of money and property increased by $60.3 million primarily due to increased yield in fixed income investment markets and is comprised of a increase in the General Fund totaling $32.2 million and $28.1 million for other governmental funds.

- Intergovernmental increased $208.3 million in FY 2022-23. Intergovernmental revenues for the General Fund increased by $189.0 million and $19.3 million for other governmental funds. The primary reasons for the increase in the General Fund is due to the County recognizing increased revenue from the following services: Proposition 172 $4.0 million; 1991 & 2011 Realignment $80.2 million; American Rescue Plan Act (ARPA) $51.2 million; $25.0 million in Housing and Community Development grants; and $24.9 million in federal welfare funding. The increase from other governmental funds is caused by an increase of $40.5 million in ARPA. This increase was offset by a decrease of $9.0 million from federal construction monies for road projects; and a decrease of $9.2 million from highway user tax.

- Charges for sales and services increased by $18.9 million. The increase is comprised of a decrease of $1.2 million in the General Fund and an increase of $20.1 million in other governmental funds. The primary reason for the decrease in the General Fund is due to $1.2 million in decreased revenues from clerk recorder fees. The primary reason for the increase in other governmental funds is due to the following: 1) $4.1 million increase in public work service revenues; 2) $1.0 million in road projects; 3) $6.6 million in development fees for capital projects; and 4) $1.9 million in building maintenance.

- Contributions from property owners increased by $37.2 million due to a new special assessment debt issued for Metro Air Park CFD in FY 2022-23; 100 percent of the increase relates to other governmental funds.

Expenditures for governmental funds totaled $3,796,114 in FY 2022-23, which represents an increase of $445,052 or 13.3 percent from FY 2021-22. The following table presents expenditures by function compared to prior year amounts:

Expenditures by Function
Governmental Funds
(amounts expressed in thousands)

	FY 2023		FY 2022		Increase/(Decrease)	
Expenditures by Function	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Current:						
General government	$ 265,652	7.00 %	190,843	5.70 %	74,809	39.20 %
Public assistance	842,654	22.20 %	754,437	22.51 %	88,217	11.69 %
Public protection	1,166,694	30.74 %	1,050,490	31.34 %	116,204	11.06 %
Health and sanitation	965,090	25.42 %	841,339	25.11 %	123,751	14.71 %
Public ways and facilities	188,000	4.95 %	174,714	5.21 %	13,286	7.60 %
Recreation and culture	54,014	1.42 %	44,216	1.32 %	9,798	22.16 %
Education	1,617	0.04 %	1,618	0.05 %	(1)	(0.06)%
Capital outlay	58,413	1.54 %	47,119	1.41 %	11,294	23.97 %
Debt service:						
Principal	193,231	5.09 %	177,913	5.31 %	15,318	8.61 %
Interest and fiscal charges	60,117	1.58 %	68,373	2.04 %	(8,256)	(12.07)%
Bond issuance costs	632	0.02 %			632	
Total	$ 3,796,114	100.00 %	3,351,062	100.00 %	445,052	13.28 %

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

- General Government increased $74.8 million with the majority of the increase in the General Fund. The increase in the General Fund is primilary due to a legal settlement of $50 million. Other Governmental funds had a $16.5 million increase due to contributions to external agencies arising from new programs funded by ARPA monies.

- Public protection increased by $116.2 million. The increase is comprised of an increase in the General Fund totaling $96.6 million and an increase in other governmental funds totaling $19.6 million. The increase in the General Fund is primarily due to a $71.3 million increase in salaries and benefits resulting from Cost of Living Adjustments (COLAs) and equity adjustments. The other governmental funds increase is primarily due to 1) $2.3 million increase in salaries and benefits resulting from COLAs and equity adjustments; 2) $8.1 million increase in inmate welfare cost due to increased commissary cost and personnel cost; and 3) increase of $6.7 million relating to public works support services.

- Public assistance increased by $88.2 million, with 100 percent of the increase within the General Fund. The increase is primarily due to 1) $60.6 million associated with the welfare assistance payments; and 2) $18.5 million increase in salaries and benefits resulting from COLAs and equity adjustments.

- Health and sanitation increased by $123.8 million. The General Fund increase totaled $126.6 million and other governmental funds decreased $2.8 million. The increase in the General Fund is primarily attributable to following: 1) $32.5 million increase in salaries and benefits resulting from COLAs and equity adjustments; 2) $55.4 million increase in provider payments; 3) $3.5 million increase in community outreach; and 4) $5.7 million increase in the purchase of software and hardware. The other governmental funds decrease is primarily due to $2.3 million reduction in contributions made to external agencies.

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

			Increase/(Decrease)	
	FY 2023	FY 2022	Amount	Percent
Transfers in	$ 245,546	230,428	15,118	6.56 %
Transfers out	(230,177)	(212,613)	(17,564)	(8.26)%
Issuance of debt	56,962	26,170	30,792	117.66 %
Refunding debt issued	180,740		180,740	
Premiums on debt issued	445		445	
Payment to refunded bonds escrow agent	(180,371)		(180,371)	
Total other financing sources (uses)	$ 73,145	43,985	29,160	66.30 %

- Transfers in/out: Decrease in net transfers is primarily due to decreased debt service activity and capital projects.

- Issuance of debt: Increase is due to the issuance of new Leases/SBITAs, along with the issuance of a Teeter note resulting from a slight reduction in property tax collections, as well as the timing of property tax collections, and with the issuance of Carmichael Park and Recreation District COP.

- Premiums on debt issued/refunding debt issued: During FY 2022-23 Carmichael issued its 2023 COP which had a premium, while FY 2021-22 no debt was issued with a premium.

- Payment to refunded bonds escrow agent: in FY 2022-23 proceeds from the 2023 POB direct placement were used to defease a portion of the 2008 POB, while no refunding debt was issued in FY 2021-22.

Enterprise funds. The County's enterprise funds reported an increase in net position totaling $137,481. The following provides an explanation of the operating and nonoperating activities that changed significantly over the prior year:

- Airport operating revenues increased from $201.3 million to $220.9 million mostly due to increased concessions revenue of $12.8 million and increased building rents of $7.3 million. Operating expenses increased by $23.2 million largely due to an increase in services and supplies of $17.3 million in addition to an increase in payroll expenses of $4.5 million. Net nonoperating revenues decreased by $20.5 million primarily due to a decrease of $40.5 million in intergovernmental revenue, as Airports depleted the ARPA and Coronavirus Response and Relief Supplemental Appropriations (CRRSA) grants in the prior year, offset by a $3.1 million increase in passenger facility charges and a $3.9 million increase in customer facility charges.

- The Solid Waste operating revenues increased from $119.2 million in FY 2021-22 to $133.6 million in FY 2022-23, mostly due to an increase of $12.8 million in service charges as rates for curbside collection were raised, and an increase in electricity sales of $2.1 million. Operating expenses increased by $13.3 million due to an increase of $7.7 million in payroll costs and an increase of $12.8 million in services and supplies, offset by a decrease of $4.2 million in depreciation and amortization and a $3.1 million decrease in landfill closure costs. Net nonoperating revenues (expenses) increased $2.6 million primarily due to a $2.4 million increase in interest revenue.

- The Water Agency had its operating income decrease from $13.8 million in FY 2021-22 to $7.1 million in FY 2022-23. Operating revenues declined by $1.3 million mainly due to a decrease in service fees of $1.2 million. Operating expenses increased by $5.4 million mainly due to an increase of $1.9 million in payroll costs and an increase of $1.9 million in services and supplies. Net nonoperating revenues (expenses) increased $5.9 million, largely a result of increased yields in fixed income investment markets which led to an increase in interest income of $7.8 million.

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
Enterprise Funds
(amounts expressed in thousands)

	Major Enterprise Funds			Nonmajor Enterprise Funds		
	Airports	Solid Waste	Water Agency	Parking Enterprise	County Transit	Total
Operating revenues	$ 220,869	133,583	63,833	2,440	101	420,826
Operating expenses	(200,873)	(112,319)	(56,742)	(1,960)	(2,886)	(374,780)
Operating income (loss)	19,996	21,264	7,091	480	(2,785)	46,046
Nonoperating revenues (expenses)	24,889	3,313	38,163	234	2,224	68,823
Income (loss) before capital contributions and transfers	44,885	24,577	45,254	714	(561)	114,869
Transfers in (out)	(2,953)	(2,040)	(1,148)	(25)		(6,166)
Capital contributions	16,344		11,947		487	28,778
Changes in net position	$ 58,276	22,537	56,053	689	(74)	137,481

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final budget resulted in a $270.7 million increase in expenditures. The increase is due to increases in budgeted salary and benefit costs, budgeting for ARPA eligible projects and programs, and various other adjustments. Changes are briefly summarized as follows:

General Government: Increased by $24.3 million due to a increase in appropriation for contingency resulting primarily from semi-discretionary revenues coming in higher than anticipated, increases in negotiated personnel costs, as well as increased investments and re-budgeting of capital improvements.

Public Assistance: Increased by $134.6 million primarily due to increases in budgeted salary and benefit costs, increases in semi-discretionary revenue funded expenditures, and re-budgeting and expansion of programs in response to the homeless crisis including the Emergency Rental Assistance Program, Project Roomkey, and ARPA funded programs.

Public Protection: Increased by $38.9 million primarily due to increases in budgeted salary and benefit costs, increases in semi-discretionary fund expenditures resulting from higher than anticipated revenues, re-budgeting of grant funds and expansion of services for the Valley Oak Youth Academy, and enhanced pretrial, mental health, and housing services in the Public Defender's office.

Health and Sanitation: Increased by $69.0 million primarily due to increases in semi-discretionary revenue funded expenditures, an increase in ARPA allocations, estimated increases in CalWORKS assistance costs, and negotiated personnel costs.

Recreation and Culture: Increased by $3.8 million primarily due to new ARPA funded projects and the re-budgeting of Transient Occupancy Tax funded projects.

Actual revenues in the General Fund were $54.8 million less than the final budgetary estimates. The undercollection of revenues is due primarily to a $85.1 million decrease in intergovernmental revenue including under collections in Mental Health Services Act revenue resulting from the income tax filing extension from April to November in California, and a decrease in ARPA and other federal and state revenues resulting from a reduction in eligible expenditures due to the timing of program implementations, reduced caseloads, and difficulty filling positions. There was also a $9.9 million under collection in charges for services, primarily due to difficulties in filling vacancies resulting in fewer eligible expenditures, as well as under collections in Clerk-Recorder and Parks service fees. These under collections are partially offset by an $8.1 million over collection in Property, Sales, and Transient Occupancy Tax revenues; a $26.0 million over collection in interest earnings; and modest over collections in other areas.

Actual expenditures were $302.8 million less than final budgetary estimates. Expenditures less than budget were due to lower than anticipated program costs for general government ($5.1 million), public assistance ($32.2 million), public protection ($66.1 million), and health and sanitation ($190.1 million) resulting primarily from the timing of program and project implementations, difficulties filling positions, reduced caseloads, and the establishment of restricted revenue budgets with unused appropriations for contingency. There were also under expenditures across other miscellaneous programs.

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, 2023, amounted to $4,429,415, net of accumulated depreciation/amortization. This investment in capital assets includes land and easements, leases, SBITA, computer software and other intangibles, water facility rights, infrastructure, building and improvements, equipment, and construction in progress. The total increase in the County's investment in capital assets for the current year was 1.70 percent when compared to prior years net investment in capital assets.

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

Schedule of Capital Assets
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2023	2022[A]	2023	2022[A]	2023	2022[A]	Percent of Change
Nondepreciable:							
Land	$ 135,677	135,666	135,737	135,737	271,414	271,403	0.00 %
Construction in progress	48,120	47,829	155,958	115,391	204,078	163,220	25.03 %
Permanent easement	21,424	19,131	57	57	21,481	19,188	11.95 %
Water facility rights			200,692	199,499	200,692	199,499	0.60 %
Other intangibles			1,904	1,904	1,904	1,904	0.00 %
Intangible assets under project	66	66			66	66	0.00 %
Depreciable/amortizable:							
Buildings and improvements	338,175	351,881	1,515,633	1,548,104	1,853,808	1,899,985	(2.43)%
Infrastructure	1,193,546	1,167,881	208,554	182,155	1,402,100	1,350,036	3.86 %
Equipment	110,171	93,194	54,656	50,361	164,827	143,555	14.82 %
Computer software	1,881	2,516	78	206	1,959	2,722	(28.03)%
Water facility rights			716	741	716	741	(3.37)%
Intangible right-to-use lease buildings	276,359	290,185	4,452	5,056	280,811	295,241	(4.89)%
Intangible right-to-use lease equipment	587	1,733	7,576	6,309	8,163	8,042	1.50 %
Intangible right-to-use subscription-based IT arrangements	16,686		710		17,396		
Total	$ 2,142,692	2,110,082	2,286,723	2,245,520	4,429,415	4,355,602	1.69 %

A) 2022 balances were not restated due to GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

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

- Buildings and improvements: Decreased in total by approximately $46.1 million. This is due to increases in completed projects in the governmental funds of $16.6 million, which included $2.8 million for remodeling and improvements of the Morgan Alternative Center, $1.7 million replacing the diesel engine driven fire pump at the Rio Consumnes Correctional Center, and $12.1 million in other various projects throughout the County. Airports capitalized $21.5 million in project costs; $16.6 million for the upgrade of the airfield apron, $2.0 million for the Fire Station Rehabilitation, and $2.9 million in various projects. Solid Waste completed $0.3 million in project costs for North Collection can area. The Water Agency Enterprise Fund concluded $14.0 million in structural improvements. The increases were offset by depreciation of $30.3 million in governmental funds, $52.2 million in Airports, $0.4 million in Solid Waste, and $15.7 million in the Water Agency Enterprise Fund.

- Infrastructure: Increased in total by approximately $52.1 million. This is due to increases in completed projects for Road infrastructures of $87.9 million, $2.6 million in stormwater utility and an additional $0.4 for Recreation and Parks infrastructure improvements. The roadway costs incurred included the following community facility districts: Florin Vineyard, Vineyard Roadways, and Metro Air Park. The Water Agency Enterprise Fund also had $31.7 million in completed projects cost. The Water Agency infrastructure cost included $9.9 million in the Arden service area, $2.5 million in the North Douglas district, $2.4 million in the Power Inn area, and $16.9 million in various areas in the County. These increases were offset by depreciation of $65.4 million in governmental activities and $5.3 million in Water Agency Enterprise Fund.

- Construction in progress: Increased in total by approximately $40.8 million. This is due to increases in construction projects totaling $20.7 million for governmental activities, $31.4 million for Airports, $18.4 million for Solid Waste, and $2.9 million for the Water Agency Enterprise Fund. A combination of decreases in governmental fund projects being capitalized to building costs and infrastructure of $20.4 million, as well as decreases in other projects being capitalized to building costs and infrastructure for Airports of $12.1 million and the Water Agency Enterprise Fund for $0.1 million. More details can be found in the section below related to construction of capital projects.

- Equipment: Increased in total by approximately $21.3 million. This is due to increases in governmental funds of $3.1 million, General Services additional fleet vehicles for $12.7 million, Regional Radio Communications System for $0.8 million, and the Department of Technology for $24.2 million to which $22.0 million is related to the Cisco Networking equipment. Additions in equipment to Airports for $8.8 million for electric buses and Solid Waste for $6.6 million, which $5.2 million was for three-axel automated side loaders. Decreases due to depreciation were as follows: governmental activities for $3.8 million, General Services for $12.1 million, Regional Radio Communications System for $2.3 million, Department of Technology for $5.5 million, Airports of $4.6 million, and Solid Waste for $5.9 million.

- Right-to-use lease assets: Decrease in total by approximately $14.3 million. This is due the total increases in governmental and proprietary fund new lease inceptions of over $28.2 million offset by depreciation and amortization of leases for $42.2 million.

- Right-to-use subscription-based IT arrangements: Due to the implementation of GASB Statement No. 96 - SBITA, right-to-use subscription-based IT arrangements were added as capital assets, contributing to an overall increase of $17.3 million.

Additional information on the County's capital assets can be found in Note 5 on pages 87 - 89.

The County has entered into several agreements related to the construction of capital projects. The governmental funds had $20.7 million in various improvement projects throughout the County. This included $2.3 million of improvements to the Morgan Alternative Center, $3.4 million for stormwater utility operations, $2.4 million improvements of Carmichael and Mission Oaks parks, and $12.6 million of other improvements throughout the County. The Water Agency Enterprise Fund had $38.0 million in agreements related to the construction of capital projects. Of this amount, $10.7 million were related to the Arden Service Area Distribution System Pipe Realignment and Meter Installation Project, $11.1 million to the Poppy Ridge Phase 2 Expansion, and $16.2 million for other various construction projects. Airport has $31.3 millions in agreements: $4.4 million for rehabiliation of the air cargo apron, $2.3 million related to the extension of east vault bus lot and an additional $6.7 million related to the expansion of Sacramento Airport baggage system upgrade. Airport has an additional $17.9 million in various projects for replacements and upgrades. Solid Waste had projects totaling $18.4 million: $11.8 million for Kiefer Landfill liner and ancillary features, $2.0 million for Kiefer Landfill infrastructure improvements, and $4.6 million in other various construction projects.

Construction contract commitments as of June 30, 2023 for governmental and business-type activities were $43.9 million and $149.9 million, respectively.

Debt Administration. At June 30, 2023, the County's governmental activities had long-term obligations totaling $1.6 billion. Of this amount, $119.3 million are certificates of participation, $259.0 million are revenue bonds for the securitization of the tobacco settlement agreement and 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 $10.0 million, and $65.8 million as litigation liability. Other significant long-term obligations include $22.3 million in loan agreements to fund the alternative method of distributing property taxes (Teeter Plan), $180.7 million in direct placement bonds, $359.8 million in pension obligation bonds and $10.5 million associated accreted interest for pension obligation bonds. In addition, compensated absences amounted to $155.0 million, financing obligations were $32.2 million, lease liabilities were $286.9 million, SBITA liabilities were $16.0 million and a net premium/discount of $42.2 million on bonds issued. The remaining represents various other debt obligations.

Business-type activities had long-term obligations of approximately $1.3 billion. This includes $876.7 million of Airports and Water Agency revenue bonds; $309.2 million relating to revenue bond premiums, Airports PFC and subordinate debt, and Sacramento County Water Agency reimbursement agreements and water rights, and $35.0 million in loans agreements to fund a new building and improvements for Solid Waste. In addition, compensated absences amounted to $9.9 million, financing obligations were $9.8 million, and lease liabilities were $12.2 million. The remaining represents various other debt obligations.

For the fiscal year ended June 30, 2023, the County's total long-term obligations had a net decrease of $79.1 million. The net decrease is primarily a result of scheduled principal retirements of pension obligation bonds and associated accreted interest in the amount of $290.8 million, a litigation liability payment of $5.6 million, a net decrease in lease liability of $10.3 million, a net decrease in unamortized amounts of $11.3 million and a net decrease in revenue bonds and associated accreted interest in the amount of $20.4 million. The decreases were offset by a $180.7 million increase related to newly issued direct placement bonds, a $35.0 million increase in newly issued loans agreements, an $18.5 million net increase in financing obligations, and an increase in compensated absences of $13.6 million.

Due to the implementation of GASB Statement No. 96 - SBITA, in fiscal year ended June 30, 2023, the County recognized an increase of $16.7 million in SBITA liabilities.

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

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

	Governmental Activities		Business-type Activities		Total		Increase/(Decrease)	
	2023	2022[A]	2023	2022[A]	2023	2022[A]	Amount	Percent
Governmental activities:								
Compensated absences	$ 155,013	142,457	9,859	8,833	164,872	151,290	13,582	8.98 %
Certificates of participation	119,263	119,718			119,263	119,718	(455)	(0.38)%
Teeter notes	22,273	22,151			22,273	22,151	122	0.55 %
Pension obligation bonds	359,847	625,201			359,847	625,201	(265,354)	(42.44)%
Accreted interest	10,494	35,969			10,494	35,969	(25,475)	(70.82)%
Direct placement bonds	180,740				180,740		180,740	
Revenue bonds	258,984	271,194	876,650	887,525	1,135,634	1,158,719	(23,085)	(1.99)%
Accreted interest	9,953	7,313			9,953	7,313	2,640	36.10 %
Other long-term debt	2,738	2,393			2,738	2,393	345	14.42 %
Litigation liability	65,836	71,411			65,836	71,411	(5,575)	(7.81)%
Financed purchase obligations	32,198	17,600	9,755	5,823	41,953	23,423	18,530	79.11 %
Loan agreements			35,000		35,000		35,000	
Revolving line of credit agreement			1,080		1,080		1,080	
Lease liability	286,854	297,937	12,218	11,460	299,072	309,397	(10,325)	(3.34)%
SBITA liability	16,011		720		16,731		16,731	
Unamortized amounts								
Issuance premiums	43,065	44,987	99,501	109,702	142,566	154,689	(12,123)	(7.84)%
Issuance discounts	(836)	(1,682)			(836)	(1,682)	846	(50.30)%
PFC and subordinate revenue bonds			208,400	214,390	208,400	214,390	(5,990)	(2.79)%
Reimbursement agreements			1,310	1,638	1,310	1,638	(328)	(20.02)%
	$ 1,562,433	1,656,649	1,254,493	1,239,371	2,816,926	2,896,020	(79,094)	(2.73)%

A) 2022 balances were not restated due to GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Additional information regarding the County’s long-term debt can be found in Note 8 starting on page 95.

On November 3, 2022 Moody's Investors Services upgraded the following:
- Pension Obligation bonds rating from "A3" to "A1"

On November 4, 2022 S&P Global Ratings upgraded the following::
- Tobacco Securitization Authority of Northern California Series 2021 Senior Bonds from "A-" to "A"

On June 26, 2023 S&P Global Ratings upgraded the following:
- Issuer long term credit (ICR) rating from "AA-" to "AA"
- Pension Obligation Bonds ratings from "AA-" to "AA"
- Certificate of Participation rating from "A+" to "AA-"

Economic Factors and Next Year's Budget and Rates

Five major sources of revenue generated from the performance of the economy are:

- Property tax revenue from all sources (secured, unsecured, delinquent, in lieu of Vehicle License Fee, supplemental), budgeted for FY 2023-24 in the amount of $603,654, are projected to increase over the FY 2022-23 Adopted Budget by $38,785 (6.9 percent). The FY 2023-24 projection is a $37,591 (6.6 percent) increase over FY 2022-23 actual levels.
- Sales and use tax revenue budgeted for FY 2023-24 in the amount of $143,983 is projected to increase from the FY 2022-23 Adopted Budget by $1,359 (1.0 percent). The FY 2023-24 projection is a $3,721 (2.5 percent) decrease from the FY 2022-23 actual levels.
- Utility user tax revenue budgeted for FY 2023-24 in the amount of $22,055 is projected to increase from the FY 2022-23 Adopted Budget by $1,080 (5.1 percent). The FY 2023-24 projection is a $386 (1.8 percent) increase from the FY 2022-23 actual level.
- Proposition 172 revenue budgeted for FY 2023-24 in the amount of $177,199 is projected to increase from the FY 2022-23 Adopted Budget by $2,932 (1.7 percent). The FY 2023-24 projection is a $4,471 (2.5 percent) decrease from the FY 2022-23 actual level.
- Non-CalWORKS Realignment revenue budgeted for FY 2023-24 in the amount of $642,699 is projected to decrease from the FY 2022-23 Adopted Budget by $23,678 (3.6 percent). The FY 2023-24 projection is a $43,997 (6.4 percent) decrease from the FY 2022-23 actual level.

The County received $300 million of ARPA funding across FY 2020-21 and FY 2021-22 with $129.0 million having been expended as of June 30, 2023. The remaining ARPA funding will be expended on qualifying purposes in future years.

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.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

COUNTY OF SACRAMENTO
GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2023
(amounts expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission
Assets:				
Current assets:				
Cash and investments	$ 1,985,771	474,123	2,459,894	21,456
Restricted cash and investments		59,023	59,023	
Receivables, net of allowance for uncollectibles:				
Billed	99,666	35,850	135,516	
Interest	36,150	13,411	49,561	
Intergovernmental	370,487	5,946	376,433	3,109
Leases	1,907	6,691	8,598	
Prepaid items	44,063	148	44,211	
Internal balances	(54,771)	54,771		
Inventories	5,166	931	6,097	
Total current assets	2,488,439	650,894	3,139,333	24,565
Noncurrent assets:				
Restricted assets		284,722	284,722	
Loan receivable from County Successor Agency	51,629		51,629	
Loan receivable from City Successor Agency	4,134		4,134	
Long-term receivables	46,792		46,792	
Long-term receivable, leases	23,241	32,925	56,166	
Prepaid items	3,429	323	3,752	
Capital assets:				
Land and other nondepreciable assets	205,287	494,348	699,635	
Buildings and improvements, infrastructure, equipment and intangibles, net	1,937,405	1,792,375	3,729,780	520
Total capital assets, net	2,142,692	2,286,723	4,429,415	520
Total noncurrent assets	2,271,917	2,604,693	4,876,610	520
Total assets	4,760,356	3,255,587	8,015,943	25,085
Deferred outflows of resources:				
Accumulated decrease in fair value of SWAP agreements	16,537	17,602	34,139	
Deferred amounts related to refunding	18,565	25,293	43,858	
Deferred outflows related to pensions	539,744	28,799	568,543	708
Deferred outflows related to OPEB	21,574	1,241	22,815	13
Total deferred outflows of resources	596,420	72,935	669,355	721
Total assets and deferred outflows of resources	5,356,776	3,328,522	8,685,298	25,806

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, 2023
(amounts expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission
Liabilities:				
Current liabilities:				
Warrants payable	$ 31,628	11,489	43,117	1,556
Accrued liabilities	314,886	63,924	378,810	
Intergovernmental payable	74,689	27	74,716	1,593
Accrued interest payable	12,187	10	12,197	
Current portion of insurance claims payable	45,010		45,010	
Current portion of long-term debt obligations	205,727	24,764	230,491	191
Current liabilities payable from restricted assets		18,083	18,083	
Unearned revenues	329,010	5,458	334,468	
Total current liabilities	1,013,137	123,755	1,136,892	3,340
Noncurrent liabilities:				
Insurance claims payable	222,314		222,314	
Long-term debt obligations	1,356,706	1,229,729	2,586,435	759
Derivative instrument liability	16,537	17,602	34,139	
Landfill closure and postclosure care		36,814	36,814	
Other long-term liabilities		819	819	
Net pension liability	1,500,794	65,452	1,566,246	1,576
Total OPEB liability	129,157	7,080	136,237	105
Total noncurrent liabilities	3,225,508	1,357,496	4,583,004	2,440
Total liabilities	4,238,645	1,481,251	5,719,896	5,780
Deferred inflows of resources:				
Deferred inflows related to refunding		3,719	3,719	
Deferred inflows related to pensions	169,381	8,403	177,784	228
Deferred inflows related to OPEB	66,945	4,047	70,992	73
Deferred inflows related to leases	24,547	39,023	63,570	
Total deferred inflows of resources	260,873	55,192	316,065	301
Total liabilities and deferred inflows of resources	4,499,518	1,536,443	6,035,961	6,081

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, 2023
(amounts expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission
Net position:				
Net investment in capital assets	$ 1,536,121	1,220,490	2,756,611	
Restricted for:				
Bond reserves		34,885	34,885	
Landfill closure		10,956	10,956	
Kiefer Wetlands Preserve		1,212	1,212	
Debt service		855	855	
Passenger facility charges		51,935	51,935	
Customer facility charges		23,511	23,511	
Capital projects	208,568	2,361	210,929	
General government	22,154		22,154	
Public protection	184,839		184,839	
Public assistance	101,510		101,510	
Health and sanitation programs	195,852		195,852	
Transportation	206,301	1,344	207,645	
Lighting and landscape maintenance	5,482		5,482	
Economic development	47,659		47,659	
Other	23,458		23,458	
Endowments				
Expendable		225	225	
Nonexpendable		2,030	2,030	
Unrestricted	(1,674,686)	442,275	(1,232,411)	19,725
Total net position	$ 857,258	1,792,079	2,649,337	19,725

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, 2023
(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	$ 255,607	106,393	62,424		(86,790)		(86,790)	
Public assistance	821,921	267	824,709		3,055		3,055	
Public protection	1,062,181	177,501	172,679	3,213	(708,788)		(708,788)	
Health and sanitation	936,391	34,566	685,217	8	(216,600)		(216,600)	
Public ways and facilities	197,513	123,014	83,734	52,082	61,317		61,317	
Recreation and culture	52,201	11,799	134		(40,268)		(40,268)	
Education	2,085				(2,085)		(2,085)	
Interest and fiscal charges	58,808				(58,808)		(58,808)	
Total governmental activities	3,386,707	453,540	1,828,897	55,303	(1,048,967)		(1,048,967)	
Business-type activities:								
Airports	231,997	255,834	9,956	16,344		50,137	50,137	
Solid waste	109,285	133,615	1,414			25,744	25,744	
Water agency	67,312	63,850	826	52,026		49,390	49,390	
Parking enterprise	1,801	2,440	6			645	645	
County transit	2,885	101	2,175	487		(122)	(122)	
Total business-type activities	413,280	455,840	14,377	68,857		125,794	125,794	
Total primary government	$ 3,799,987	909,380	1,843,274	124,160	(1,048,967)	125,794	(923,173)	
Component unit								
First 5 Commission	$ 18,785		17,373					(1,412)
General Revenues:								
Taxes:								
Property taxes					661,728		661,728	
Transient occupancy					5,748		5,748	
Sales/Use taxes					171,604		171,604	
Unrestricted investment earnings					64,178	24,056	88,234	832
Grants and contributions not restricted to specific programs					588,307		588,307	
Pledged tobacco settlement					14,672		14,672	
Miscellaneous					34,301		34,301	
Transfers					6,166	(6,166)		
Total general revenues and transfers					1,546,704	17,890	1,564,594	832
Changes in net position					497,737	143,684	641,421	(580)
Net position, beginning of year					359,521	1,648,395	2,007,916	20,305
Net position, end of year					$ 857,258	1,792,079	2,649,337	19,725

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

COUNTY OF SACRAMENTO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023
(amounts expressed in thousands)

		General Fund	Nonmajor Governmental Funds	Total
Assets:				
Cash and investments	$	955,524	649,846	1,605,370
Receivables, net of allowance for uncollectibles:				
Billed		62,646	12,015	74,661
Interest		23,062	12,870	35,932
Intergovernmental		344,334	26,047	370,381
Leases		96	1,633	1,729
Prepaid items		39,175		39,175
Inventories		2,826		2,826
Loan receivable from County Successor Agency			51,629	51,629
Loan receivable from City Successor Agency			4,134	4,134
Long-term receivables		12,664	34,010	46,674
Long-term receivable, leases		5,296	17,040	22,336
Total assets	$	1,445,623	809,224	2,254,847
Liabilities, deferred inflows of resources, and fund balances:				
Liabilities:				
Warrants payable	$	18,416	5,283	23,699
Accrued liabilities		240,919	33,199	274,118
Intergovernmental payable		61,309	13,375	74,684
Unearned revenues		315,389	2,151	317,540
Total liabilities		636,033	54,008	690,041
Deferred inflows of resources:				
Unavailable revenues		36,853	73,877	110,730
Deferred inflows related to leases		5,198	18,281	23,479
Total deferred inflows of resources		42,051	92,158	134,209
Fund balances:				
Nonspendable		50,821		50,821
Restricted		370,465	663,058	1,033,523
Assigned		236,882		236,882
Unassigned		109,371		109,371
Total fund balances		767,539	663,058	1,430,597
Total liabilities, deferred inflows of resources, and fund balances	$	1,445,623	809,224	2,254,847

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, 2023
(amounts expressed in thousands)

Fund balances - total governmental funds	$ 1,430,597
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation/amortization, used in governmental activities are not current financial resources, and therefore, are not reported in the funds.	2,037,355
Accrued interest payable is not reported in the funds.	(12,187)
Prepaid bond insurance and prepaid expenditures relating to SBITA assets of the governmental activities are not current financial resources, and therefore, are not reported in the funds.	3,429
Long-term liabilities and related deferred outflows of resources including accumulated decrease in fair value of SWAP agreement and the deferred amounts related to refunding, are not due and payable in the current period nor represent current financial resources, and therefore, are not reported in the funds.	(1,488,363)
Total OPEB liability including related deferred outflows and deferred inflows of resources are not reported in the funds.	(163,589)
Net pension liability including related deferred outflows and deferred inflows of resources are not reported in the funds.	(1,076,646)
Other long-term assets are not available to pay for current period expenditures, therefore are reported as unavailable revenues in the funds.	110,730
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 liabilities of the internal service funds are included in governmental activities in the statement net position.	15,932
Net position of governmental activities	$ 857,258

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, 2023
(amounts expressed in thousands)

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Taxes	$ 770,676	68,404	839,080
Use of money and property	34,419	28,447	62,866
Licenses and permits	11,849	60,177	72,026
Intergovernmental	2,297,752	166,548	2,464,300
Charges for sales and services	131,897	214,252	346,149
Fines, forfeitures and penalties	21,699	13,801	35,500
Pledged tobacco settlement		15,463	15,463
Contributions from property owners		37,239	37,239
Miscellaneous	28,257	6,841	35,098
Total revenues	3,296,549	611,172	3,907,721
Expenditures:			
Current:			
General government	195,979	69,673	265,652
Public assistance	842,654		842,654
Public protection	1,068,499	98,195	1,166,694
Health and sanitation	924,451	40,639	965,090
Public ways and facilities		188,000	188,000
Recreation and culture	29,755	24,259	54,014
Education	451	1,166	1,617
Capital outlay		58,413	58,413
Debt service:			
Principal	33,811	159,420	193,231
Bond issuance costs		632	632
Interest and fiscal charges	3,318	56,799	60,117
Total expenditures	3,098,918	697,196	3,796,114
Excess (deficiency) of revenues over (under) expenditures	197,631	(86,024)	111,607
Other financing sources (uses):			
Transfers in	12,748	232,798	245,546
Transfers out	(190,907)	(39,270)	(230,177)
Issuance of long-term debt	23,504	33,458	56,962
Refunding debt issued		180,740	180,740
Premiums on debt issued		445	445
Payment to refunded bonds escrow agent		(180,371)	(180,371)
Total other financing sources (uses)	(154,655)	227,800	73,145
Changes in fund balances	42,976	141,776	184,752
Fund balances - beginning	724,563	521,282	1,245,845
Fund balances - ending	$ 767,539	663,058	1,430,597

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, 2023
(amounts expressed in thousands)

Changes in fund balances - total governmental funds	$ 184,752
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/amortization expense. This is the amount by which depreciation/amortization exceeded capital outlay in the current period.	(1,484)
Change in accrued interest payable.	2,064
Change in prepaid items	625
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 premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. Also included is the change in compensated absences, which does not require the use of current financial resources. This amount is the net effect of these differences in the treatment.	126,372
Pension related expenses, including changes in deferred inflows and 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.	176,046
OPEB related expenses, including changes in deferred inflows and 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.	4,741
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.	(30,755)
The net revenues of certain activities of internal service funds is reported with governmental activities.	35,376
Change in net position of governmental activities	$ 497,737

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 BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 754,979	762,571	770,676	8,105
Use of money and property	7,710	8,467	34,419	25,952
Licenses and permits	11,411	11,631	11,849	218
Intergovernmental	2,120,751	2,382,820	2,297,752	(85,068)
Charges for sales and services	124,261	122,010	131,897	9,887
Fines, forfeitures and penalties	21,198	21,112	21,699	587
Miscellaneous	29,792	42,773	28,257	(14,516)
Total revenues	3,070,102	3,351,384	3,296,549	(54,835)
Expenditures:				
Current:				
General government:				
Legislative and administrative	17,360	26,810	20,392	6,418
Finance	100,771	111,672	129,111	(17,439)
Counsel	5,489	6,419	5,862	557
Human resources	15,470	16,898	13,922	2,976
Elections	13,977	15,609	15,279	330
Other	23,647	23,647	11,413	12,234
Total general government	176,714	201,055	195,979	5,076
Public assistance:				
Administration	350,172	427,606	393,139	34,467
Aid programs	350,149	406,650	411,704	(5,054)
Other	39,868	40,576	37,811	2,765
Total public assistance	740,189	874,832	842,654	32,178

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 BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Public protection:				
Judicial	$ 181,475	189,374	166,680	22,694
Police protection	432,760	444,774	440,058	4,716
Detention and correction	413,968	425,729	393,720	32,009
Protection and inspection	5,401	5,588	5,405	183
Other	62,110	69,125	62,636	6,489
Total public protection	1,095,714	1,134,590	1,068,499	66,091
Health and sanitation	1,045,521	1,114,520	924,451	190,069
Recreation and culture	35,235	39,083	29,755	9,328
Education	491	491	451	40
Debt service:				
Principal	33,811	33,811	33,811	
Interest and fiscal charges	3,318	3,318	3,318	
Total expenditures	3,130,993	3,401,700	3,098,918	302,782
Excess (deficiency) of revenues over (under) expenditures	(60,891)	(50,316)	197,631	247,947
Other financing sources (uses):				
Transfers in	12,748	12,748	12,748	
Transfers out	(159,245)	(190,907)	(190,907)	
Issuance of long-term debt	23,504	23,504	23,504	
Total other financing sources (uses)	(122,993)	(154,655)	(154,655)	
Changes in fund balance	(183,884)	(204,971)	42,976	247,947
Fund balance - beginning	724,563	724,563	724,563	
Fund balance - ending	$ 540,679	519,592	767,539	247,947

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, 2023
(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	$ 269,934	65,210	129,805	9,174	474,123	380,401
Restricted cash and investments	24,373	34,650			59,023	
Receivables, net of allowance for uncollectibles:						
Billed	8,582	20,628	6,623	17	35,850	25,005
Interest	8,013	2,450	2,757	191	13,411	218
Intergovernmental	2,525	622	655	2,144	5,946	106
Leases	6,321	196	174		6,691	178
Prepaid items	148				148	4,888
Inventories	869	62			931	2,340
Total current assets	320,765	123,818	140,014	11,526	596,123	413,136
Noncurrent assets:						
Restricted assets	151,180	21,805	111,737		284,722	
Prepaid items	323				323	
Long-term receivables						118
Long-term receivable, leases	22,766	2,681	7,478		32,925	905
Capital assets:						
Land and other nondepreciable assets	116,780	62,123	314,146	1,299	494,348	
Buildings and improvements, infrastructure, equipment and intangibles, net	1,077,305	121,790	592,145	1,135	1,792,375	105,337
Total capital assets	1,194,085	183,913	906,291	2,434	2,286,723	105,337
Total noncurrent assets	1,368,354	208,399	1,025,506	2,434	2,604,693	106,360
Total assets	1,689,119	332,217	1,165,520	13,960	3,200,816	519,496
Deferred outflows of resources:						
Accumulated decrease in fair value of SWAP agreement			17,602		17,602	
Deferred outflows related to refunding	24,965		328		25,293	
Deferred outflows related to pensions	13,164	10,084	5,450	101	28,799	30,390
Deferred outflows related to OPEB	514	508	218	1	1,241	917
Total deferred outflows of resources	38,643	10,592	23,598	102	72,935	31,307
Total assets and deferred outflows of resources	1,727,762	342,809	1,189,118	14,062	3,273,751	550,803

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, 2023
(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	$ 1,311	8,258	1,622	298	11,489	7,929
Accrued liabilities	32,804	17,573	13,526	21	63,924	40,768
Accrued interest payable		10			10	
Intergovernmental payable				27	27	5
Current portion of insurance claims payable						45,010
Current portion of long-term debt obligations	6,436	6,222	12,039	67	24,764	13,135
Current liabilities payable from restricted assets	18,083				18,083	
Unearned revenues	5,458				5,458	11,470
Total current liabilities	64,092	32,063	27,187	413	123,755	118,317
Noncurrent liabilities:						
Insurance claims payable						222,314
Long-term debt obligations	813,997	53,929	361,626	177	1,229,729	42,370
Derivative instrument liability			17,602		17,602	
Landfill closure and postclosure care		36,814			36,814	
Other long-term liabilities			819		819	
Net pension liability	32,052	20,987	12,195	218	65,452	72,344
Total OPEB liability	3,028	2,748	1,260	44	7,080	7,256
Total noncurrent liabilities	849,077	114,478	393,502	439	1,357,496	344,284
Total liabilities	913,169	146,541	420,689	852	1,481,251	462,601
Deferred inflows of resources:						
Deferred inflows related to refunding	1,203		2,516		3,719	
Deferred inflows related to pensions	3,847	2,756	1,724	76	8,403	11,831
Deferred inflows related to OPEB	1,792	1,516	701	38	4,047	4,600
Deferred inflows related to leases	28,835	2,799	7,389		39,023	1,068
Total deferred inflows of resources	35,677	7,071	12,330	114	55,192	17,499
Total liabilities and deferred inflows of resources	948,846	153,612	433,019	966	1,536,443	480,100

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, 2023
(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	$ 438,214	157,989	622,059	2,228	1,220,490	62,877
Restricted for:						
Bond reserves	34,885				34,885	
Landfill closure		10,956			10,956	
Kiefer Wetlands Preserve		1,212			1,212	
Debt service	855				855	
Capital projects				2,361	2,361	
Passenger facility charges	51,935				51,935	
Customer facility charges	23,511				23,511	
Transportation				1,344	1,344	
Endowments:						
Expendable	225				225	
Nonexpendable	2,030				2,030	
Unrestricted	227,261	19,040	134,040	7,163	387,504	7,826
Total net position	$ 778,916	189,197	756,099	13,096	1,737,308	70,703
Adjustment to reflect internal service fund activities related to enterprise funds					54,771	
Net position of business-type activities					$ 1,792,079	

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, 2023

	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	$ 220,865	132,089	60,593	2,541	416,088	381,708
Other	4	1,494	3,240		4,738	3,742
Total operating revenues	220,869	133,583	63,833	2,541	420,826	385,450
Operating expenses:						
Salaries and benefits	39,869	37,711	13,062	282	90,924	98,262
Services and supplies	102,618	64,206	16,774	1,635	185,233	130,053
Cost of sales and services	861			2,047	2,908	3,160
Depreciation and amortization	57,091	11,168	21,379	670	90,308	24,844
Claim payments and actuarial estimates						81,165
Landfill closure costs		(766)			(766)	
Other	434		5,527	212	6,173	571
Total operating expenses	200,873	112,319	56,742	4,846	374,780	338,055
Operating income (loss)	19,996	21,264	7,091	(2,305)	46,046	47,395
Nonoperating revenues (expenses):						
Use of money and property	13,297	2,030	8,447	282	24,056	1,312
Intergovernmental	9,956	1,414	826	2,181	14,377	
Passenger facility charges	25,950				25,950	
Customer facility charges	9,015				9,015	
Development fees			40,079		40,079	
Interest expense	(32,137)	(163)	(11,206)	(5)	(43,511)	(28)
Other revenues (expenses)	(1,192)	32	17		(1,143)	2,103
Total nonoperating revenues (expenses)	24,889	3,313	38,163	2,458	68,823	3,387
Income before transfers and capital contributions	44,885	24,577	45,254	153	114,869	50,782
Transfers in						1,271
Transfers out	(2,953)	(2,040)	(1,148)	(25)	(6,166)	(10,474)
Capital contributions	16,344		11,947	487	28,778	
Changes in net position	58,276	22,537	56,053	615	137,481	41,579
Net position, beginning of year	720,640	166,660	700,046	12,481		29,124
Net position, end of year	$ 778,916	189,197	756,099	13,096		70,703
Adjustment to reflect internal service fund activities related to enterprise funds					6,203	
Change in net position of business-type activities					$ 143,684	

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, 2023
(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	$ 229,780	116,300	59,662	2,537	408,279	1,089
Receipts from interfund services provided						385,661
Receipts for other operating activities	280	11,842	3,241		15,363	2,525
Payments to suppliers	(71,073)	(54,464)	(16,003)	(3,652)	(145,192)	(186,736)
Payments to employees	(43,649)	(40,634)	(14,943)	(335)	(99,561)	(113,213)
Payments for other operating activities		(2,228)		(212)	(2,440)	(3,330)
Payments for interfund services used	(26,945)	(4,578)			(31,523)	(18,181)
Net cash provided by (used for) operating activities	88,393	26,238	31,957	(1,662)	144,926	67,815
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers from other funds						1,271
Transfers to other funds	(2,953)	(2,040)	(1,148)	(25)	(6,166)	(10,474)
Intergovernmental revenue	10,049	3,399		2,546	15,994	334
Net cash provided by (used for) noncapital financing activities	7,096	1,359	(1,148)	2,521	9,828	(8,869)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Passenger facility charges	24,152				24,152	
Customer facility charges	7,755				7,755	
Capital contributions	13,989			281	14,270	
Development fees			39,128		39,128	
Acquisition and construction of capital assets	(53,710)	(25,017)	(37,224)		(115,951)	(21,781)
Principal paid on long-term obligations	(5,990)	(931)	(11,212)	(65)	(18,198)	(4,270)
Interest paid on long-term obligations	(36,337)	(163)	(15,718)	(5)	(52,223)	(28)
Proceeds from the sale of capital assets	118	82	16		216	1,883
Proceeds from loans		39,800			39,800	
Proceeds from revolving line of credit	1,080				1,080	
Net cash provided by (used for) capital and related financing activities	(48,943)	13,771	(25,010)	211	(59,971)	(24,196)

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, 2023
(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 and fair value adjustment on cash and investments	$ 6,344	(165)	5,565	120	11,864	1,115
Net increase in cash and cash equivalents	52,890	41,203	11,364	1,190	106,647	35,865
Cash and cash equivalents, beginning of year	386,094	80,462	147,829	7,984	622,369	344,536
Cash and cash equivalents, end of year	$ 438,984	121,665	159,193	9,174	729,016	380,401
RECONCILIATION OF CASH AND CASH EQUIVALENTS						
Cash and investments	$ 269,934	65,210	129,805	9,174	474,123	380,401
Restricted cash and investments	24,373	34,650			59,023	
Restricted noncurrent assets	151,180	21,805	111,737		284,722	
Less: Long-term investments and receivables included in restricted assets	(6,503)		(82,349)		(88,852)	
Cash and cash equivalents	$ 438,984	121,665	159,193	9,174	729,016	380,401

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, 2023
(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)	$ 19,996	21,264	7,091	(2,305)	46,046	47,395
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	57,091	11,168	21,379	670	90,308	24,844
Provision for uncollectible accounts	(37)				(37)	
Other nonoperating revenue	280				280	
Other nonoperating expense		(1,872)			(1,872)	
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
Receivables:						
Billed	1,859	(4,463)	(433)	(4)	(3,041)	(24,928)
Leases						30
Intergovernmental	(98)	(101)	(497)		(696)	(3)
Prepaid items	64				64	(2,700)
Inventories	(164)				(164)	(579)
Warrants payable	293	7,197	946	139	8,575	1,362
Accrued liabilities	5,665	6,528	5,502	(98)	17,597	30,455
Intergovernmental payable				(9)	(9)	4
Unearned revenues	770				770	3,698
Landfill closure and postclosure care		(5,412)			(5,412)	
Compensated absences	490	337	194		1,021	735
Insurance claims payable						3,036
Net pension liability and related deferred outflows and inflows	(4,080)	(3,696)	(2,199)	(53)	(10,028)	(14,752)
Net leases liability and related deferred outflows and inflows	6,321	(4,806)			1,515	(30)
Total OPEB liability and related deferred outflows and inflows	(57)	94	(26)	(2)	9	(752)
Total adjustments	68,397	4,974	24,866	643	98,880	20,420
Net cash provided by (used for) operating activities	$ 88,393	26,238	31,957	(1,662)	144,926	67,815
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:						
Contributed assets	$		11,947		11,947	
Amortization of bond premiums	6,209		3,991		10,200	
Capital assets purchases using long-term debt	8,635	5,358	559		14,552	16,489
Capital grants receivable	(2,355)				(2,355)	
Amortization of deferred outflows and inflows - bonds	2,273		473		2,746	

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, 2023
(amounts expressed in thousands)

	Pension Trust	Investment Trust	Successor Agency Private-Purpose Trust Fund	Custodial: Non-Pooled Investments	Custodial: Other Custodial
Assets:					
Cash and investments	$ 7,776	4,499,539	6,339	861,985	306,655
Other cash and cash equivalents	203,853				
Short-term investments with fiscal agents	376,949				
Receivables, net of allowance for uncollectibles:					
Billed					1,422
Interest		83,605	132		10,581
Intergovernmental					212
Member and employer contributions	37,869				
Accrued investment income	30,450				
Investment sales and other	314,364				
Investments					
Equity	4,781,134				
Fixed income	2,242,284				
Real assets	1,060,383				
Real estate	999,559				
Absolute return	845,895				
Private credit	415,913				
Private equity	1,652,724				
Securities lending collateral	195,198				
Prepaid items					180
Other assets	1,196				
Buildings and improvements, equipment and intangibles, net	4,883				
Total assets	13,170,430	4,583,144	6,471	861,985	319,050

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, 2023
(amounts expressed in thousands)

				Custodial	
	Pension Trust	Investment Trust	Successor Agency Private-Purpose Trust Fund	Non-Pooled Investments	Other Custodial
Liabilities:					
Warrants payable	3,329				13,523
Accrued liabilities	19,780		1,212		69,797
Intergovernmental payable			928		
Current lease liability	450				
Long-term lease liability	4,797				
Investment purchases and other	587,250				
Securities lending obligation	191,566				
Other long-term liabilities			3,897		
Loan due to County Public Financing Authority					
Due within one year			2,305		
Due after one year			49,324		
Total liabilities	807,172		57,666		83,320
Net position (deficit) restricted for:					
Pension	12,363,258				
Pool participants		4,583,144			
Individuals, organizations and other governments			(51,195)	861,985	235,730
Total net position (deficit)	$ 12,363,258	4,583,144	(51,195)	861,985	235,730

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, 2023
(amounts expressed in thousands)

				Custodial	
	Pension Trust	Investment Trust	Successor Agency Private-Purpose Trust Fund	Non-Pooled Investments	Other Custodial
Additions:					
Property taxes	$		6,592		5,520,281
Contributions on pooled investments		9,980,351			1,381,762
Contributions on non-pooled investments				4,426,004	
Member contributions	139,521				
Employer contributions	371,248				
Securities lending income, net	1,309				
Investment income (loss), net	709,597	196,890	36	22,647	17,400
Miscellaneous	1,816		1,391		
Total additions	1,223,491	10,177,241	8,019	4,448,651	6,919,443
Deductions:					
Distributions to taxing entities				4,252,002	5,524,999
Distributions from pooled investments		9,470,940			1,326,439
Benefits paid	655,591				
Withdrawal/refunds of contributions	6,815				
Administrative expenses	28,178				12,916
Services and supplies			1,066		
Interest expense			3,304		
Total deductions	690,584	9,470,940	4,370	4,252,002	6,864,354
Changes in net position	532,907	706,301	3,649	196,649	55,089
Net position (deficit), beginning of year	11,830,351	3,876,843	(54,844)	665,336	180,641
Net position (deficit), end of year	$ 12,363,258	4,583,144	(51,195)	861,985	235,730

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

ANNUAL COMPREHENSIVE 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) 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 Districts 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 No. 10
- Water Agencies Special Revenue Fund
- In-Home Support Services Authority
- Sacramento County Groundwater Sustainability Agency

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 Exercise of 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 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. The Authority 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 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 Board 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 appoints the governing board of the Corporation, which is responsible for the fiscal and administrative activities of the Corporation. For financial reporting purposes, 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 with ABXI 26 to transfer all of the assets, liabilities, and obligations of the former redevelopment agency. The Board 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 in the Successor Agency Private-Purpose Trust Fund.

The *Sacramento County Employees' Retirement System (SCERS)* is a fiduciary component unit reported as a Pension Trust Fund. SCERS is a multiple-employer public retirement system organized under the 1937 Act. SCERS is governed by a nine-member retirement board that includes the County Director of Finance and four appointed members by the Board and four members elected by the SCERS membership. Although SCERS is legally separate from the County, it is reported as part of the County's reporting entity because the County has board control and there is a financial burden due to employer contributions.

The following *Community Facility Districts (CFD)* were established by a two thirds affirmative vote by property owners within the CFD boundaries. These CFDs are blended component units of the County, in that Mello-Roos law dictates that these districts are legal separate entities, but are governed by the local agencies. It is the County's responsibility through the Board to set direct levy rates and adopt annual budgets within these funds. The County is not obligated in any manner for any debt associated with these districts therefore, none of the debt is recorded in these financial statements. But the construction and assets associated with the districts are the County's, thus they are accounted for in the capital projects funds. The County also acts as an agent for the property owners of these CFDs; in which, the County collects and forwards the assessment fees to the bondholders, this activity is reported in other custodial funds.

North Vineyard Station No. 1
North Vineyard Station No. 2
Laguna Stonelake CFD No. 1
Park Meadows CFD No. 1
McClellan Park CFD No. 2004-1
Florin Vineyard No. 1
Metro Air Park CFD No. 1998-1
Metro Air Park CFD No. 2000-1
Laguna Creek Ranch/Elliot Ranch CFD No. 1 Improvement Area No. 1
Laguna Creek Ranch/Elliot Ranch CFD No. 1 Improvement Area No. 2

Discretely Presented Component Unit:
First 5 Sacramento Commission (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 reported 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 Commission, 2750 Gateway Oaks Drive, Suite 330, Sacramento CA 95833.

Excluded from the Reporting Entity:
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.

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	Wastewater 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
Groundwater Sustainability Agency	To enhance local management of groundwater

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 impose its will. 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 the FRWA 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. As of June 30, 2023, this entity reported a net position of $332.3 million. 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 primary 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. The County also includes certain indirect costs as part of the program expenses reported for various functional activities. 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 nonmajor 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 facilities, as well as, being 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; Other which consists of Dental and Unemployment; Regional Radio Communications System for emergency communications services; and Department of Technology.

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. These funds represent assets, primarily cash and investments, held by the County in trust for these participants.

Custodial funds account for the assets held by the County on behalf of various individuals, private organizations and other governmental agencies. These include Non-Pooled Investments, Law Enforcement, Unapportioned Tax Collection and others.

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.

Pension Trust fund is a fiduciary component unit used by the County to report assets, liabilities and activities of SCERS.

Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 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, leases, and SBITAs 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 service 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; unemployment claims and dental claims; emergency communication functions; and telecommunication and data processing. Operating expenses for enterprise funds and internal service funds include cost of services, administrative expenses and depreciation/amortization 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 fund balance/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. 91, *Conduit Debt Obligations*

Effective July 1, 2022, the County implemented Statement No. 91. The primary objective of this statement is 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. This statement required the County to analyze its conduit debt for the likelihood that it will be required to make a debt service payment with the recognition of a liability and expenditure. This standard had no material impact to the County, however see NOTE 8 - LONG-TERM OBLIGATIONS page 112 for additional disclosures details relating to Conduit Debt Obligations.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
Effective July 1, 2022, the County implemented Statement No. 94. The primary objective of this statement is to improve financial reporting by addressing issues related to Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs). This standard had no material impact to the County.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
Effective July 1, 2022, the County implemented Statement No. 96. The primary objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This standard required the County to report all of its SBITAs on the statement of net position/balance sheet with SBITA assets, SBITA liabilities, and inflows or outflows of resources based on the payment provision of the contract. See NOTE 5 - CAPITAL ASSETS, NOTE 7 - LEASES AND SBITAS, and NOTE 8 - LONG-TERM OBLIGATIONS starting on pages 87, 91, and 95 respectively for additional disclosures relating to SBITAs.

GASB Statement No. 99, *Omnibus 2022*
Effective July 1, 2022, the County implemented Statement No. 99 paragraphs 11-25 with the remaining paragraphs to be implemented the following year (except paragraphs 26-32 which were implemented for the fiscal year ended June 30, 2022). The objectives of this statement and these paragraphs are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation of certain GASB Statements. These paragraphs of this standard had no material impact to the County.

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 statement 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 2022-23 is July 1 and the lien date is January 1 (unsecured property taxes are due in one installment and become delinquent after August 31). The tax collections are recorded in the Unapportioned Tax Collection Agency fund prior to apportionment.

The Board 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 the 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 Teeter Plan 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 on page 99.

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 the future period(s).

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 the future period(s).

The balance sheet of governmental funds also reports a separate section for deferred inflows of resources. Unavailable revenue reported consists primarily of revenues which have been earned but were not received. This separate financial statement element represents assets which are not yet available to finance expenditures of the current fiscal period 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 reimbursement claims or be directly remitted from the County back to the granting agency.

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

Inventories 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 or future right-to-use assets in relation to SBITAs 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.

(amounts expressed in thousands)

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, buildings and improvements, infrastructure, machinery and equipment, computer software, water facility rights, right-to-use assets and other intangible assets, are reported in the applicable governmental or business-type activities columns in the proprietary fund financial statements. Capital assets are defined as assets with an initial useful life in excess of one year and an individual cost of more than $5 for equipment, $25 for buildings, improvements, and infrastructure, and $100 for computer software. 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 value 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. Right-to-use assets are initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before lease/SBITA commencement date, plus certain initial direct costs. 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. Buildings and improvements, infrastructure, equipment, intangible assets are depreciated using the straight line method over the following estimated used lives. Right-to-use lease and SBITA assets are amortized over the lesser of useful life or contract terms.

Assets	Years
Buildings and Improvements	4 to 50
Infrastructure	20 to 50
Machinery and Equipment	2 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. The County will pay certain employees a portion of their sick leave at retirement based on labor agreements.

The County accrues for compensated absences in the government-wide and proprietary fund statements which 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 fund 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 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 government-wide, proprietary funds and private-purpose trust fund financial statements, 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), 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 from the Board), or by a body or an official designated by the Board for that purpose. The Board 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 includes amounts not contained in the other classifications. 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. The unassigned fund balance also includes $88,444 of a service stabilization that was established during the recommended budget adoption by County resolution. At this time there is no condition under which this stabilization may be spent; however, should the County deem it necessary to use these funds, the Board will need to action another resolution allowing the use. To increase the stabilization amount the Board would need to approve an appropriation adjustment request authorizing the increase.

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, 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 during 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, intangible assets including leases and SBITAs, unspent proceeds, and deferred outflows of resources, into one component of net position. Accumulated depreciation/amortization, 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 and Workers' Compensation Internal Service Funds (ISF) Deficit Net Position

As of June 30, 2023, the Liability/Property and Workers' Compensation ISF have deficit net position of $20,399 and $75,744, respectively. These deficits in net position represent the County's actuarially determined claims liability for the liability/property and workers' compensation programs. The County is collecting additional amounts from the departments to eliminate the deficit in net position.

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 - RETIREMENT PLAN and the Required Supplementary Information (RSI) section immediately following the Notes to Basic Financial Statements), regardless of the amount recognized as pension expenditures in the governmental fund statements, which uses 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 over the expected average remaining service life.

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 $1,430,597 differs from net position of governmental activities of $857,258 because of the long-term economic focus in the statement of net position versus the current financial resources measurement focus in the governmental funds balance sheet. The effect of the differences is illustrated below:

Balance Sheet/Statement of Net Position

	Total Governmental Funds Balance Sheet	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Governmental Activities Statement of Net Position
Assets:					
Current assets:					
Cash and investments	$ 1,605,370		380,401		1,985,771
Receivables, net of allowance for uncollectibles:					
Billed	74,661		25,005		99,666
Interest	35,932		218		36,150
Intergovernmental	370,381		106		370,487
Leases	1,729		178		1,907
Prepaid items	39,175		4,888		44,063
Due from other funds/internal balances			(54,771)		(54,771)
Inventories	2,826		2,340		5,166
Total current assets	2,130,074		358,365		2,488,439
Noncurrent assets:					
Loan receivable from County Successor Agency	51,629				51,629
Loan receivable from City Successor Agency	4,134				4,134
Long-term receivables	46,674		118		46,792
Long-term receivable, leases	22,336		905		23,241
Prepaid items		3,429			3,429
Capital assets:					
Land and other nondepreciable assets		205,287			205,287
Buildings and improvements, infrastructure, equipment and intangibles, net		1,832,068	105,337		1,937,405
Total capital assets		2,037,355	105,337		2,142,692
Total noncurrent assets	124,773	2,040,784	106,360		2,271,917
Total assets	2,254,847	2,040,784	464,725		4,760,356
Deferred outflows of resources:					
Accumulated decrease in fair value of SWAP agreement		16,537			16,537
Deferred amounts related to refunding		18,565			18,565
Deferred outflows related to pensions		509,354	30,390		539,744
Deferred outflows related to OPEB		20,657	917		21,574
Total deferred outflows of resources		565,113	31,307		596,420
Total assets and deferred outflows of resources	2,254,847	2,605,897	496,032		5,356,776

(amounts expressed in thousands)

	Total Governmental Funds Balance Sheet	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Governmental Activities Statement of Net Position
Liabilities:					
Current liabilities:					
Warrants payable	$ 23,699		7,929		31,628
Accrued liabilities	274,118		40,768		314,886
Intergovernmental payable	74,684		5		74,689
Accrued interest payable		12,187			12,187
Current portion of insurance claims payable			45,010		45,010
Current portion of long-term debt obligations		192,592	13,135		205,727
Unearned revenues	317,540		11,470		329,010
Total current liabilities	690,041	204,779	118,317		1,013,137
Noncurrent liabilities:					
Insurance claims payable			222,314		222,314
Long-term debt obligations		1,314,336	42,370		1,356,706
Derivative instrument liability		16,537			16,537
Net pension liability		1,428,450	72,344		1,500,794
Total OPEB liability		121,901	7,256		129,157
Total noncurrent liabilities		2,881,224	344,284		3,225,508
Total liabilities	690,041	3,086,003	462,601		4,238,645
Deferred inflows of resources:					
Unavailable revenues	110,730	(110,730)			
Deferred inflows related to pensions		157,550	11,831		169,381
Deferred inflows related to OPEB		62,345	4,600		66,945
Deferred inflows related to leases	23,479		1,068		24,547
Total deferred inflows of resources	134,209	109,165	17,499		260,873
Total liabilities and deferred inflows of resources	824,250	3,195,168	480,100		4,499,518
Fund balances/net position:					
Nonspendable	50,821			(50,821)	
Restricted	1,033,523			(1,033,523)	
Assigned	236,882			(236,882)	
Unassigned	109,371			(109,371)	
Net investment in capital assets		2,037,355	62,877	(564,111)	1,536,121
Restricted				995,823	995,823
Unrestricted		(2,626,626)	(46,945)	998,885	(1,674,686)
Total fund balances / net position	$ 1,430,597	(589,271)	15,932		857,258

(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, construction in progress, 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	$ 4,838,463
Right-to-use assets	354,946
Accumulated depreciation/amortization	(3,156,054)
Total	2,037,355
Accrued interest payable	(12,187)
Prepaid items which consist of bond insurance costs and prepaid expense which related to future SBITA assets	3,429

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, 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	(141,965)
Bonds, notes, COPs, leases, other payables	(1,278,680)
Derivative instrument liability	(16,537)
Accreted interest	(20,447)
Accumulated decrease in fair value of SWAP agreement	16,537
Deferred amounts related to refunding	18,565
Litigation liability	(65,836)
Total	(1,488,363)
Net Pension Liability:	
Deferred outflows related to pensions	509,354
Net pension liability	(1,428,450)
Deferred inflows related to pensions	(157,550)
Total	(1,076,646)
Total OPEB Liability:	
Deferred outflows related to OPEB	20,657
Total OPEB liability	(121,901)
Deferred inflows related to OPEB	(62,345)
Total	(163,589)

(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 revenues	$ 110,730
Total	$ (589,271)

(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 of resources, and liabilities and deferred inflows of resources, of certain internal service funds are included in governmental activities in the statement of net position. $ 15,932

The net change in fund balances for governmental funds of $184,752 differs from the change in net position for governmental activities of $497,737 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 are as follows:

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	$ 661,728					661,728
Transient occupancy	5,748					5,748
Sales / use taxes	171,604					171,604
Use of money and property	62,866			1,312		64,178
Licenses and permits	72,026				(72,026)	
Intergovernmental	2,464,300		(22,069)		(2,442,231)	
Charges for sales and services	346,149		(135)		107,526	453,540
Operating grants and contributions					1,828,897	1,828,897
Capital grants and contributions					55,303	55,303
Grants and contributions not restricted to specific programs			(6,963)		595,270	588,307
Contributions from property owners	37,239				(37,239)	
Fines, forfeitures and penalties	35,500				(35,500)	
Pledged tobacco settlement	15,463		(791)			14,672
Miscellaneous	35,098		(797)			34,301
Total revenues	3,907,721		(30,755)	1,312		3,878,278

(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	$ 265,652	11,040	(16,546)	(4,539)		255,607
Public assistance	842,654	8,593	(21,397)	(7,929)		821,921
Public protection	1,166,694	22,170	(107,624)	(19,059)		1,062,181
Health and sanitation	965,090	2,684	(24,703)	(6,680)		936,391
Public ways and facilities	188,000	14,835	(2,978)	(2,344)		197,513
Recreation and culture	54,014	(67)	(1,311)	(435)		52,201
Education	1,617	642	32	(206)		2,085
Capital outlay	58,413	(58,413)				
Debt service:						
Principal	193,231		(193,231)			
Bond issuance costs	632				(632)	
Interest and fiscal charges	60,117		(922)	(2,075)	1,688	58,808
Total expenditures/expenses	3,796,114	1,484	(368,680)	(43,267)	1,056	3,386,707
Excess (deficiency) of revenues over (under) expenditures/expenses	111,607	(1,484)	337,925	44,579	(1,056)	491,571
Other financing sources (uses):						
Transfers in	245,546			1,271		246,817
Transfers out	(230,177)			(10,474)		(240,651)
Leases issued	22,709		(22,709)			
SBITA issued	837		(837)			
Issuance of long-term debt	33,416		(33,416)			
Refunding debt issued	180,740		(180,740)			
Premiums on debt issued	445		(445)			
Payment to refunded bonds escrow agent	(180,371)		179,315		1,056	
Total other financing sources (uses)	73,145		(58,832)	(9,203)	1,056	6,166
Changes in fund balances/net position	184,752	(1,484)	279,093	35,376		497,737
Fund balances/net position - beginning	1,245,845	2,038,839	(2,905,719)	(19,444)		359,521
Fund balances/net position - ending	$ 1,430,597	2,037,355	(2,626,626)	15,932		857,258

(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 activities 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/amortization expense. As a result, net position decreases by the amount of depreciation/amortization expense charged for the year. Donated assets result in an increase in net position.

Capital expenditures	$ 113,112
Right-to-use assets	23,546
Depreciation/amortization expense	(138,142)
Total	$ (1,484)

(4) Bond issuance costs and prepaid SBITA assets 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. Prepaid SBITA assets will be amortized once the asset is placed into service. $ 625

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	10,455
Teeter notes	23,294
Revenue bonds	12,210
Pension obligation bonds	265,354
Accreted interest	25,961
Financed purchase obligations	1,419
Lease liability	33,769
SBITA liability	1,833
Litigation liability	5,575
Other long-term debt	762
Total	380,632

(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 does not affect the statement of activities. Proceeds were received from:

Teeter notes	$ (23,416)
Pension Obligation Bonds	(180,740)
Certificate of participation	(10,000)
Issuance premium	(445)
Leases issued	(22,709)
SBITA issued	(837)
Total	(238,147)

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	(11,820)
Accreted interest	(3,126)
Current year other long-term debt	(1,107)
Amortization of deferred amount on refunded debt	(1,581)
Amortization of issuance premiums/discounts	1,521
Total	(16,113)

Net effect of long-term debt and related items	126,372
Changes in net pension liability and related deferred outflows/inflows	176,046
Changes in total other postemployment benefits (OPEB) liability and related deferred outflows/inflows	4,741
Some revenues will not be collected within the County's availability period, and therefore are reported as unavailable revenues in the governmental funds. Deferred inflows of resources decreased by this amount during the year.	(30,755)
Decrease in accrued interest payable	2,064
Total	$ 279,093

(amounts expressed in thousands)

(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.	$ 35,376

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 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 2022-23 was adopted on September 27, 2022. Until the adoption of a final balanced budget, operations were governed by the proposed budget approved by the Board in June 2022. 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 (except for capital assets, which are controlled at the sub-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 present revenues at the source level and expenditures at the function level. Negative variances on these statements/schedules are possible and are not indicative of the County's legal level of control, as the budget authority and subsequent expenditures can span across differing functional types causing negative variances. For instance, within the general fund public assistance function, the budget unit can place the budget authority to one functional type such as public assistance – administration, but the subsequent expenditures can be recorded in differing functional types such as public assistance – aid programs. The budgetary control is at the budget unit level and not the functional level, as long as the expenditures don’t exceed the budget unit level appropriations, there is no instance of non-compliance with the budget act. 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 Debt Service Fund, the Sacramento County Public Financing Authority Debt Service Fund, the Improvement Bond Act of 1911 Capital Projects 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.

During FY 2023-24 the County settled the Schneider/Hardesty et al. lawsuit which resulted in the County accruing $53.5 million in expenditures within the General Fund Finance function of these financial statements. However, due to the timing of the settlement the appropriations are budgeted in the FY2023-24.

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 “Governmental Fund Expenditure Status Report.” Copies of this report may be obtained from the County of Sacramento, Department of Finance - Auditor Controller division, 700 H Street 3650, Sacramento, CA 95814. Significant amendments, appropriation transfers between departments or funds, and transfers from contingencies must be approved by the Board. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board.

During FY 2022-23, the original adopted budget was amended by the Board. 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 2022-23, the appropriation limit for the FY 2022-23 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.

(amounts expressed in thousands)

NOTE 4 - CASH, INVESTMENTS, AND RESTRICTED ASSETS

All investments are reported in the statement of net position/balance sheet are at fair value, except for the investment agreement(s), teeter notes, and certain money market mutual funds, which are reported 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 custodial 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.

Separately issued reports of the County Treasurer's Internal and Non-Pooled investments are available at https://finance.saccounty.gov/Investments/Pages/Reports.aspx.

Cash, investments, and restricted assets as shown in the basic financial statements at June 30, 2023, are as follows:

Government-wide statement of net position:	
Cash and investments	$ 2,459,894
Restricted cash and investments	59,023
Restricted assets, included in noncurrent assets	284,722
Fiduciary funds statement of net position:	
Pension Trust	7,776
Investment Trust	4,499,539
Successor Agency - Private-Purpose Trust Fund	6,339
Non-Pooled Investments	861,985
Other Custodial	306,655
Discretely presented component unit (First 5 Commission)	21,456
Total cash, investments, and restricted assets including receivables	8,507,389
Less receivables included in restricted assets	(10,866)
Total cash, investments, and restricted cash and investments	$ 8,496,523

Investments Authorized by Debt Agreements

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, 2023, all cash and investments held by fiscal agents were covered by federal depository insurance, Securities Investor Protection Corporation Insurance, or the investments are held 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 invest. These include bonds issued by the County; United States Treasury notes, bonds, bills or certificates of indebtedness; registered state warrants, Washington 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, 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 of the total portfolio) of "prime quality" (the highest ranking provided by either Moody's Investors Service (Moody's) or S&P Global Ratings (S&P)) 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 (not to exceed 20 percent of the portfolio); and 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 Board annually adopts an "Annual Investment Policy for the Pooled Investment Fund" (Investment Policy). The Investment Policy is maintained 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.

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, 2023, of the County's $8.3 billion in investments held by the Treasurer and $59 million held by fiscal agents, 72.0 percent of the investments have a maturity of six months or less. The weighted average days to maturity for the entire portfolio was 256 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 ratings, the issuers' ratings must be A-1 and P-1, and the long-term ratings must be A and A2, respectively, by S&P'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 65.

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. The California Government Code and the County's Investment Policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following disclosures. As of June 30, 2023, 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	$ 2,503,951
Federal Farm Credit Bank	906,455
International Bank for Reconstruction and Development	463,717

(amounts expressed in thousands)

The following schedule indicates the credit and interest rate risk at June 30, 2023. For purposes of this schedule, NR is defined as not rated. The credit ratings listed are for Moody's and S&P, respectively. Guaranteed investment contracts are subject to the credit rating disclosure requirements but are normally unrated.

		Maturity					
	Credit Ratings	Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Over 5 Years	Amount
Imprest cash							$ 557
Cash in banks							6,352
In custody of Treasurer:							
Cash and cash deposits:							
Cash on hand							12
Cash in banks							103,693
Total cash and cash deposits in custody of the Treasurer							103,705
Investments held by Treasurer:							
Treasury bills	Aaa/AA+	$ 471,630	3,600		48,051		523,281
Federal Farm Credit Bank (FFCB)	Aaa/AA+		19,739	19,351	196,023		235,113
FFCB discount notes	Aaa/AA+	333,616	143,663	194,063			671,342
Federal Home Loan Banks (FHLB)	Aaa/AA+		39,758	80,650	90,741		211,149
FHLB discount notes	P-1/A-1+	838,668	1,001,220	452,914			2,292,802
Federal National Mortgage Association	Aaa/AA+				91,402		91,402
Federal Home Loan Mortgage Corporation	Aaa/AA+				64,499		64,499
State and local government securities	Aaa/AA+				5,802		5,802
Commercial paper	P-1/A-1	304,420	1,170,059	314,026			1,788,505
Washington supranationals	Aaa/AAA	39,944	39,824	78,359	650,960		809,087
Washington supranationals discount notes	P-1/A-1+		49,066				49,066
Negotiable certificates of deposit	P-1/A-1	264,983	974,806				1,239,789
Negotiable certificates of deposit	NR			40,238			40,238
Bank money market mutual funds	NR	120,407					120,407
Other assets held by Treasurer (Teeter Plan notes)	NR		717		21,557		22,274
Local Agency Investment Fund	NR	75,000					75,000
Money market mutual funds	Aaa/AAAm	64,499					64,499
Guaranteed investment contracts	NR					22,595	22,595
Total investments held by Treasurer		2,513,167	3,442,452	1,179,601	1,169,035	22,595	8,326,850
Total in custody of Treasurer							8,430,555
Investments held by fiscal agents:							
Money market mutual funds	Aaa/AAAm	58,155					58,155
Negotiable certificates of deposit	A+				904		904
Total investments held by fiscal agents		58,155			904		59,059
Total investments		$ 2,571,322	3,442,452	1,179,601	1,169,939	22,595	
Total cash and investments							$ 8,496,523

(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 as of and for the year ended June 30, 2023:

Statement of Net Position	Treasurer's Pool	Non-Pooled Funds	Total
Net position held for pool participants	$ 7,432,162	1,081,998	8,514,160
Equity of internal pool participants	$ 2,849,018	220,013	3,069,031
Equity of external pool participants	4,583,144	861,985	5,445,129
Total equity	$ 7,432,162	1,081,998	8,514,160
Statement of changes in net position			
Net position at July 1, 2022	$ 6,357,492	835,880	7,193,372
Net changes in investments by pool participants	1,074,670	246,118	1,320,788
Net position at June 30, 2023	$ 7,432,162	1,081,998	8,514,160

A summary of the investments held by the Treasurer's Pool and Non-Pooled Funds at June 30, 2023, are as follows:

	Fair Value	Cost	Interest Rate Range (%)	Maturity Range
Governmental securities	$ 4,095,390	4,088,961	0.320-5.230	7/23-5/28
Washington supranationals	858,153	905,406	0.500-4.550	7/23-6/28
Commercial paper	1,788,505	1,768,169	4.720-5.520	7/23-1/24
Negotiable certificates of deposit	1,280,027	1,280,245	4.750-5.700	7/23-5/24
Other assets held by Treasurer (Teeter Plan notes)	22,274	22,273	3.962	8/23-8/27
Local Agency Investment Fund	75,000	75,000	3.167	N/A
Bank money markets mutual funds	120,407	120,407	3.85-4.030	N/A
Money market mutual funds	64,499	64,499	0.609-4.833	N/A
Guaranteed investment contracts	22,595	22,595	5.301	5/31/39
Total investments held by Treasurer	$ 8,326,850	8,347,555		

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, 2023. 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 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 2a-7 Money Market Mutual Funds and Bank Money Market Mutual Funds held by the Treasurer is at one-dollar net asset value (NAV) per share. The total value of these investments at June 30, 2023 was $184,906. 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 2a-7 Money Market Mutual Funds held by Fiscal Agents is at one-dollar NAV per share. The total value of these investments at June 30, 2023, was $58,155. 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, 2023, 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	$ 523,281		523,281	
Federal Farm Credit Bank (FFCB)	235,113		235,113	
Federal Home Loan Banks (FHLB)	211,149		211,149	
Federal National Mortgage Association	91,402		91,402	
FFCB discount notes	671,342		671,342	
FHLB discount notes	2,292,802		2,292,802	
Federal Home Loan Mortgage Corporation (FHLMC)	64,499		64,499	
Washington supranationals	809,087		809,087	
Washington supranationals discount notes	49,066		49,066	
Commercial paper	1,788,505		1,788,505	
Negotiable certificates of deposits	1,280,027		1,280,027	
Negotiable certificates of deposits held by Fiscal Agent	904		904	
State and local government securities	5,802		5,802	
Other assets held by Treasurer (Teeter Plan notes)	22,274			22,274
Total Investments by fair value level	8,045,253		8,022,979	22,274
Investments held by Treasurer not measured at fair value or subject to fair value hierarchy:				
Local Agency Investment Fund	75,000			
Guaranteed investment contracts	22,595			
Total Investments not measured at fair value or subject to fair value hierarchy	97,595			
Investments held by Treasurer measured at NAV:				
Bank money markets mutual funds	120,407			
Money market mutual funds	64,499			
Total Investments measured at NAV	184,906			
Total Investments held by Treasurer	8,326,850			
Total Investments held by Fiscal Agents at NAV:				
Money market mutual funds	58,155			
Total Investments	$ 8,385,909			

(amounts expressed in thousands)

SCERS Pension Trust Fund Deposits and Investment Risk Disclosures

Investment Policies

Article XVI, Section 17 of the Constitution of the State of California provides that "…notwithstanding any other provisions of law or this Constitution, the Retirement Board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system…" Article XVI, Section 17(a) further provides that "…the Retirement Board of a public pension or retirement system shall have sole and exclusive fiduciary responsibility over the assets…" The investment authority for SCERS rests primarily through the "prudent person rule," as set forth in Section 31595 of the 1937 Act, which establishes a standard for all fiduciaries, including anyone with investment authority on behalf of SCERS.

Asset Allocation

SCERS maintains an overall investment policy designed to achieve a diversified investment portfolio. An integral part of the investment policy is the strategic asset allocation, which is designed to provide an optimal mix of asset classes with return expectations that correspond to expected liabilities. The strategic asset allocation also emphasizes maximum diversification of the portfolio to reduce the range of outcomes that the portfolio is subject, and to protect SCERS from the possibility that a particular asset class may experience poor investment performance in a given period. SCERS' adopted asset allocation policy as of June 30, 2023 is as follows:

Asset Class	Target Allocation
Equity	40.00 %
Fixed Income	18.00 %
Private Equity	11.00 %
Real Estate	9.00 %
Absolute Return	7.00 %
Real Assets	7.00 %
Private Credit	5.00 %
Cash	2.00 %
Liquid Real Return	1.00 %
	100.00 %

Investment Summary

Cash Invested with Sacramento County Treasurer:

SCERS invests cash held for benefit payments and general operations in the County Treasurer's pool. The County Treasury Oversight Committee is responsible for regulatory oversight of the pool. SCERS share of the County Treasurer's pool is separately accounted for, and interest earned, net of related expenses, is apportioned quarterly based on the proportion of SCERS average daily cash balance to the total of the pooled cash and investments.

The value of SCERS pooled shares is determined on an amortized cost basis, which approximates fair value. The fair value of SCERS cash invested with the County Treasurer for both pension trust and custodial funds totaled $10,510 at June 30, 2023. The pool was not rated, and the weighted-average maturity of the pool was 256 days at June 30, 2023.

Interest earned but not received from the County Treasurer at year end is reported as a component of accrued investment income on the Statement of Fiduciary Net Position. Cash and investments included within the County Treasurer's pool are described in the preceding section of this note.

Other Cash and Cash Equivalents:

At June 30, 2023, other cash and cash equivalents constituted balances in bank demand deposit accounts of $203,853.

Short-Term Investments with Fiscal Agents:

Short-term investments, which include highly-liquid investments expected to be utilized by SCERS within 30-90 days, are reported at fair value. These investments may include securities that have a maturity in excess of 90 days but are readily marketable. At June 30, 2023, the fair value of SCERS short-term investments with fiscal agents was $376,949. This total consisted of investments in the State Street Short-Term Investment Fund (STIF). The STIF is designed to provide qualified benefit plans with an investment vehicle that may be accessed on a daily basis. The STIF is limited to investing in securities that are rated A-1 by Moody's and P-1 by S&P at the time of issuance. As of June 30, 2023, the STIF is not rated by credit rating agencies. Most investments range in maturity from overnight to 90 days with 32 percent of the investment over 90 days. For the fiscal year ended June 30, 2023, the weighted-average maturity was 25 days. Investments in the STIF from all participating custodial clients of State Street was $54.9 billion on June 30, 2023.

Fair Value of Investments:

SCERS measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1 - Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities accessible on the measurement date.

Level 2 - Fair value is determined using quoted prices in inactive markets or significant observable inputs (including, but not limited to, quoted prices for similar investments, interest rates, foreign exchange rates, volatility and credit spreads), either directly or indirectly. These inputs may be derived principally from, or corroborated by, observable market data through correlation or by other means.

Level 3 - Fair value is determined using unobservable inputs, including situations where there is little market activity, if any, for the asset or liability.

(amounts expressed in thousands)

At June 30, 2023, SCERS had the following fair value measurements:

		Fair Value Measurements by Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities				
Communication Services	$ 269,908	269,908		
Consumer Discretionary	415,607	415,404	203	
Consumer Staples	223,950	223,950		
Energy	161,042	161,042		
Financials	474,467	474,467		
Health Care	460,563	460,563		
Industrials	566,190	566,190		
Information Technology	648,517	648,517		
Materials	140,892	140,747	145	
Private Placement	572	311	261	
Real Estate	96,762	96,762		
Utilities	74,826	74,826		
Total Equity Securities	3,533,296	3,532,687	609	
Fixed Income Securities				
Securitized Obligations Asset-Backed Securities	339,928		339,928	
Credit Obligations				
Corporate Bonds	321,086	344	320,742	
Municipals	7,843		7,843	
Yankees	61,408		61,408	
Private Placement	204		204	
U.S. Government and Agency Obligations				
Agency Securities	44,648		44,648	
Treasury Bills	849,491		849,491	
International Government	3,347		3,347	
Collateralized Mortgage Obligations	127,109		127,109	
Mortgage Pass-Through				
Federal Home Loan Mortgage Corporation (FHLMC)	90,641		90,641	
Federal National Mortgage Association (FNMA)	314,976		314,976	
Government National Mortgage Association (GNMA)	67,450		67,450	
Total Fixed Income Securities	2,228,131	344	2,227,787	
Total Investments by Fair Value Level	$ 5,761,427	3,533,031	2,228,396	

(amounts expressed in thousands)

Investments Measured at Net Asset Value (NAV):

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)*	Redemption Notice Period
Equity Commingled Funds	$ 1,247,838		Daily and Monthly	1-60 days
Fixed Income Commingled Funds	14,153		Monthly and Quarterly	30-90 days
Real Assets	1,060,383	307,065	Quarterly and 3-Years	90 days
Real Estate	999,559	217,155	Monthly and Quarterly	30-90 days
Absolute Return	845,895		Monthly and Quarterly	30-90 days
Private Credit	415,913	292,183		
Private Equity	1,652,724	820,879		
Securities Lending Collateral	195,198			
Total Investments Measured at NAV	6,431,663			
Total Investments	$ 12,193,090			

*Not applicable for closed end real assets and real estate, private credit and private equity funds.

Note: In the event of significant asset outflows for a particular fund, the timing of redemption proceeds could extend beyond those disclosed.

Investments Derivative Instruments:

		Fair Value Measurements by Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Forwards	$ 868	868		
Options	21		21	
Swaps	73,809		73,809	
Liabilities				
Forwards	(321)	(321)		
Options	(190)		(190)	
Swaps	(73,187)		(73,187)	
Total Investment Derivative Instruments	$ 1,000	547	453	

Equity Securities:

The majority of SCERS domestic and international equity securities are actively traded on major stock exchanges or over-the-counter (OTC). Investments listed or traded on a securities exchange are valued at fair value as of the close of trading on the valuation day. Fair value is determined based on the last reported trade price on the exchange considered to be the primary market for such security. Listed investments that are not traded on a particular day are valued at the last known price which is deemed best to reflect their fair value. Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Fixed Income Securities:

Debt securities consist of investments in customized separate accounts and commingled funds which primarily invest in negotiable obligations of the U.S. Government and U.S. Government-sponsored agencies, U.S. and non-U.S. corporations, securitized offerings backed by residential and commercial mortgages, and non-dollar denominated sovereign states. Debt securities that are not actively traded are valued by pricing vendors, which use modeling techniques that include market observable inputs required to develop a fair value, and are classified in Level 2. Typical inputs include recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the asset type.

Equity and Fixed Income Commingled Funds:

Certain equity and fixed income investments are invested in a commingled fund to provide dedicated exposure to a specific segment of the market and are valued at NAV. An example would be an emerging market equity mandate invested through a commingled fund, or a core plus fixed income mandate where SCERS receives the high yield credit exposure through a commingled fund that is managed by the investment manager. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the fund manager on a continuous basis and audited annually. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgment.

Investments Measured at the Net Asset Value (NAV):

Investments valued using the NAV per share (or its equivalent) are investments in nongovernmental pooled investment vehicles (i.e., limited partner or non-managing member interest or LP/LLC interest). These alternative investments, unlike more traditional investments, generally do not have readily obtainable fair values and are generally valued at the most recent net asset value per unit or based on capital account information available from the general partners of such vehicles. If June 30 valuations are not available, the value is derived from the most recently available valuation taking into account subsequent cash flow activities.

Absolute Return:

Absolute return investments are made on a direct basis in limited partnerships, commingled funds, and separate accounts, and through externally managed customized separate accounts (CSA). Each CSA manager’s investments consist of portfolio funds and co-investments as well as marketable securities held from time to time as a result of a distribution from a portfolio fund.

Absolute return investments include commingled funds that invest in domestic and international investment strategies including: (1) Market neutral strategies such as equity or fixed income market neutral, fixed income arbitrage, and convertible bond arbitrage; (2) Event driven strategies such as risk arbitrage, merger arbitrage, distressed debt, credit, and other event-driven strategies; (3) Equity and credit long/short strategies where there is a combination of long and short positions primarily in exchange traded securities, with a net market exposure less than 100% of that of the overall equity or fixed income market (strategies may be focused on U.S., non-U.S., and/or specialty mandates); (4) Global Macro strategies such as all market portfolios, opportunistic long-only, managed futures, currency, dedicated short selling strategies or other specialty strategies; and (5) Multi-strategies where absolute return managers invest using a combination of previously described strategies.

Absolute return investments are generally less liquid as compared to equity and fixed income and more liquid as compared to private market investments, such as real assets, real estate, private credit, and private equity. Direct absolute return investments consist of securities traded on national security exchanges, as well as securities that do not have readily determinable fair values (illiquid securities). For CSAs, the fund manager's evaluation of the fair value of portfolio funds is based on the most recent available valuation information provided to them by the portfolio funds, adjusted for subsequent distributions from and capital contributions to such portfolio funds, if any.

Typically, the fair value of investments is determined by the fund manager in good faith and in compliance with the following guidelines:

- The value of illiquid investments is determined by the fund manager in good faith and in compliance with the definition of fair value under U.S. GAAP; however, in some circumstances certain illiquid investments may require reporting financial information and valuations in accordance with accounting standards other than U.S. GAAP, such as under International Financial Reporting Standards.
- Securities that are traded on a national securities exchange are valued at their last reported sales prices on the valuation date on the national securities exchange on which such securities are principally traded or on a consolidated tape which includes such exchange, or, if there are no sales on such date on such exchange or consolidated tape, securities are typically valued at the mean between the last "bid" and "asked" prices at the close of trading on such date on the largest national securities exchange on which such securities are traded.
- Securities not traded on a national securities exchange, but traded over-the-counter, are valued at the last reported sales price as reported by the Nasdaq National Market of the Nasdaq Stock Market, or if such prices are not reported by the Nasdaq Stock Market, as reported by the National Quotation Bureau, Inc., or if such prices are not reported by the National Quotation Bureau, the valuation of options or notional principal contracts not traded on a national securities exchange may be determined in good faith by a reliable source selected by the fund manager.
- Commodity interests traded on a United States or foreign exchange are valued at their last reported settlement price on the valuation date on the exchange on which such interests were purchased or sold. Commodity interests not traded on a United States or foreign exchange are valued at the mean between their last "bid" and "asked" prices on the date as of which the value is being determined, as reported by a reliable source selected in good faith by the fund manager.
- Short-term money market instruments and bank deposits are valued at cost plus accrued interest to the date of valuation.

Real Assets and Real Estate:

Real assets and real estate investments are held in limited partnerships. Limited partner interest is valued using the NAV of the partnership. Core and core plus real estate is held typically as a limited partner in a commingled fund and is valued at NAV. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a continuous basis, audited annually, and periodically appraised by an independent third party. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgment. Real assets and real estate investments are held in open-ended and closed-ended commingled funds. Closed-ended commingled funds are long-term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment. These investments cannot be redeemed with the funds unless sold in a secondary market. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over 2 to 15 years.

Private Credit and Private Equity:

Private credit investments include direct limited partnerships, commingled funds, and separate accounts that invest in direct lending, and opportunistic lending strategies. Private equity investments include limited partnerships, commingled funds, and fund of funds (FoF) that invest in domestic and international private buyouts, venture capital, growth equity, and distressed debt. Private credit and private equity investments are made both on a direct basis in limited partnerships, commingled funds, separate accounts, and through externally managed FoF. Each FoF manager's investments consist of portfolio funds and co-investments as well as marketable securities held from time to time as a result of a distribution from a portfolio fund.

These investments are long-term and illiquid in nature. As a result, limited partners are constrained in their ability to exit a partnership investment prior to its dissolution, other than selling their interest in a private equity secondary market. Distributions are received through cash flows and the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the fund would be liquidated over 8 to 15 years.

Limited partner interest in commingled funds is valued by using the NAV of the partnership. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a recurring basis, audited annually, and periodically appraised by an independent third party.

Typically, the fair value of all investments is determined by the fund manager in good faith and in compliance with the definition of fair value under U.S. GAAP. In some circumstances, partnership agreements require reporting financial information and valuations in accordance with accounting standards other than U.S. GAAP, such as under International Financial Reporting Standards. The measure of fair value by the fund manager is typically conducted on a quarterly basis. Marketable securities are valued according to the most recent public market price with appropriate discounts to reflect any contractual or regulatory restriction upon sale.

The fair value of each investment as reported does not necessarily represent the amount that may ultimately be realized, since such amounts depend upon future circumstances that cannot reasonably be determined until the position is actually liquidated. The evaluation of the fair value of portfolio funds is based on the most recent available valuation information provided by each fund, adjusted for subsequent distributions from and capital contributions to such portfolio funds, if any. The evaluation of the fair value of co-investments is based on the most recent information available at the time of valuation ascribed to such investments by the sponsor partnership. If the manager does not agree with this valuation, holds different securities than the sponsor partnership, is unable to obtain the sponsor partnership's valuation, or has information that results in a different valuation, the manager may use their own internal evaluation of fair value. The assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

Investment Derivative Instruments:

The fair values of derivative contracts can be affected by changes in interest rates, foreign exchange rates, commodity prices, credit spreads, market volatility, expected return, liquidity and other factors. The majority of SCERS derivative instruments are traded in the Over The Counter (OTC) derivative market and are classified within Level 2. OTC derivatives classified within Level 2 are valued using models that utilize actively quoted or observable market input values from external market data providers, third-party pricing vendors and/or recent trading activity. The fair values of OTC derivatives for swaps and forward contracts are determined using discounted cash flow models. The fair values of option contracts and warrants are determined using Black-Scholes option pricing models. These models' key inputs include the contractual terms of the respective contract along with significant observable inputs, including interest rates, currency rates, credit spreads, equity prices, index dividend yield, volatility, and other factors. The fair value of rights is calculated using the same parameters used for pricing options, including the rights' subscription price, prevailing interest rates, time to expiration, and the share price of the underlying stock, taking into consideration the level of its volatility. Futures positions are exchange traded and settle in cash on a daily basis and thus have no fair value.

Annual Money-Weighted Rate of Return:

The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 5.97 percent.

Securities Lending

State statutes permit SCERS to participate in securities lending transactions and, pursuant to a Securities Lending Authorization Agreement, SCERS has authorized State Street Bank and Trust Company (State Street) to act as its agent in lending SCERS securities to broker-dealers and banks pursuant to an approved loan agreement.

During the fiscal year ended June 30, 2023, on behalf of SCERS, State Street loaned securities held by State Street as custodian, including U.S. government and agency obligations, domestic corporate bonds, and domestic and international equities and received, as collateral, U.S. and foreign currency, U.S. government bonds, U.S. corporate bonds, U.S. equity, and international equity securities. SCERS does not have the ability to pledge or sell security collateral absent a borrower's defaults. Borrowers are required to deliver collateral for each loan equal to a minimum of 100% of the fair value of the loaned security.

During the fiscal year ended June 30, 2023, SCERS did not impose any restrictions on the amount of the loans that State Street made on its behalf and there were no failures to return loaned securities or pay distributions thereon by any borrowers. Moreover, there were no losses resulting from a default of the borrowers or State Street.

SCERS and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. Since the collateral received from the borrowers was greater than the amounts borrowed, SCERS had minimal credit risk exposure to the borrowers. Furthermore, the lending agreement with State Street requires the custodian to indemnify SCERS if the borrower fails to return the loaned securities.

Additional information regarding the cash collateral investment pool (collateral pool) follows:

Method for Determining Fair Value - The fair value of investments held by the collateral pool is based upon valuations provided by a recognized pricing service.

Policy for Utilizing Amortized Cost Method - Because the collateral pool does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the collateral pool investments at fair value for reporting purposes.

Regulatory Oversight - The collateral pool is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the collateral pool), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of SCERS position in the collateral pool is the same as SCERS pro rata share of the collateral pool.

(amounts expressed in thousands)

Collateral and related securities on loan at June 30, 2023 is as follows:

Security Description	Fair Value of Reinvested Cash Collateral	Cash Collateral Value	Non-Cash Collateral Value	Fair Value of Securities on Loan
Fixed Income	$ 126,016	123,728	181,133	305,948
Equity	69,182	67,838	28,296	96,434
Total	$ 195,198	191,566	209,429	402,382

Securities Lending Collateral Credit Risk:

All of the cash collateral received for securities lending is invested in the State Street Compass Fund Liquidity Pool (Compass Fund), which is not rated by credit rating agencies. At the time of purchase, all securities with maturities of 13 months or less must be rated at least A1, P1 or F1 and all securities with maturities in excess of 13 months must be rated A- or A3 by any two of the nationally-recognized statistical rating organizations or, if unrated, be of comparable quality. The fund may invest in other State Street managed vehicles provided they conform to the guidelines.

Securities Lending Collateral Interest Rate Risk:

The Compass Fund's Investment Policy Guidelines provide that the lending agent shall maintain the dollar-weighted average maturity of the Compass Fund in a manner that the lending agent believes is appropriate to the objective of the Compass Fund, provided that (i) in no event shall any Eligible Security be acquired with a remaining legal final maturity of greater than 18 months, (ii) the lending agent shall maintain a dollar-weighted average maturity of the Compass Fund not to exceed 75 calendar days and (iii) the lending agent shall maintain a dollar-weighted average maturity to final of the Compass Fund not to exceed 180 calendar days. As of June 30, 2023, the weighted average maturity was 7.15 days.

Deposit and Investment Risks:

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosure*s, the following schedules disclose SCERS investments subject to certain types of risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally-recognized statistical rating organizations. The ratings used to determine the quality of the individual securities are the ratings provided by S&P. If there are no ratings provided by S&P, then the ratings provided by Moody's and Fitch Ratings are used, respectively.

SCERS utilizes external investment managers to manage its portfolios. SCERS' Investment Policy specifies that fixed income investments will include both active and passive index investments in U.S. Treasury and agency securities, corporate bonds, mortgage-backed and asset-backed securities and non-dollar denominated sovereign and corporate debt.

SCERS' portfolio is comprised of actively-managed investment strategies in which each strategy will have a minimum average credit quality rating by a Nationally Recognized Statistical Rating Organization (NRSRO). Portfolio diversification is constrained by investment guideline parameters for each individual strategy in order to minimize overall market and credit risk.

(amounts expressed in thousands)

The following table depicts the fixed income assets by credit ratings as of June 30, 2023:

Credit Rating	Total	Securitized Obligations	Credit Obligations	Commingled Funds	U.S. Government and Agency Obligations	International Government	Collateralized Mortgage Obligations	Mortgage Pass-Through FHLMC	Mortgage Pass-Through FNMA	Mortgage Pass-Through GNMA
Aaa	$ 189,217	98,620	1,652		6,250		82,695			
AA+	471,185	95	266		57,325		7,882	90,641	314,976	
AA-1	1,095	1,095								
AA	7,117	5,346	1,745				26			
AA-2	527	144	383							
AA-	6,998	192	6,608				198			
AA-3	1,901	698	410				793			
A+	18,558	642	17,337		321		258			
A-1	2,206	758	1,241				207			
A	25,773	2,907	22,823				43			
A-2	2,667	834	1,833							
A-3	918		582				336			
A-	74,248	74	74,037				137			
BBB+	73,141		71,586				1,555			
BAA-1	625		450				175			
BBB	80,609	917	77,675			1,833	184			
BAA-2	942	184					758			
BBB-	56,398	699	52,429			495	2,775			
BAA-3	2,134	415	862				857			
BB+	19,711	1,344	16,568		199	402	1,198			
BA-1	299						299			
BB	12,540	572	10,055				1,913			
BA-2	2,502	443	198			501	1,360			
BB-	14,091		11,884		176		2,031			
BA-3	1,070						1,070			
B+	8,065	1,129	6,136				800			
B-1	304		304							
B	6,579		6,216				363			
B-2	853		853							
B-	2,671	9	2,447				215			
CCC+	507		507							
Caa1	1,282		1,282							
CCC	1,604	631	356		70	116	431			
CCC-	680		680							

(amounts expressed in thousands)

								Mortgage Pass-Through		
Credit Rating	Total	Securitized Obligations	Credit Obligations	Commingled Funds	U.S. Government and Agency Obligations	International Government	Collateralized Mortgage Obligations	FHLMC	FNMA	GNMA
Caa3	237		237							
CC	1,880	1,880								
D	456	456								
NA	897,248				829,798					67,450
NR	253,446	219,844	899	14,153			18,550			
Total	$ 2,242,284	339,928	390,541	14,153	894,139	3,347	127,109	90,641	314,976	67,450

NA represents securities explicitly guaranteed by the U.S. government, which are not subject to the GASB Statement No. 40 credit risk disclosure requirements.
NR represents securities that are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2023, SCERS had no single issuer that exceeds 5% of total investments per GASB Statement No. 40 disclosure requirements or any one issuer which represents 5% or more of total fiduciary net position in accordance with GASB Statement No. 67. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt from the disclosure requirements.

SCERS investment policy does not allow more than 5% of the total portfolio fair value to be invested in any one issuer, and as of June 30, 2023, SCERS had no issuer that exceeds 5% of total portfolio fair value. As noted in the previous discussion of credit risk, manager investment guidelines place limitations on the maximum holdings in any one issuer.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event a financial institution or counterparty fails, SCERS would not be able to recover the value of its deposits, investments, or securities. As of June 30, 2023, the bank balance of cash and cash equivalents on deposit with SCERS' custodian bank and financial institutions totaled $182,871, of which $182,621 was not insured by the Federal Depository Insurance Corporation (FDIC) and were exposed to custodial credit risk. SCERS believes that the risk is not significant because the cash is held with major financial institutions.

As of June 30, 2023, deposits held in SCERS name for the margin accounts of $21,366 was not insured or not collateralized, and these deposits were exposed to custodial credit risk.

As of June 30, 2023, 100% of SCERS investments held with the custodian were held in SCERS name, and SCERS is not exposed to custodial credit risk related to these investments. There are no general policies relating to custodial credit risk.

(amounts expressed in thousands)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment guidelines negotiated with the actively-managed external portfolio managers give the managers the discretion to deviate within a particular range from the effective duration of the relevant Bloomberg Aggregate Bond Index benchmark.

The following tables depict the duration in years of the long-term fixed income portfolio vs. the benchmark as of June 30, 2023.

Types of Securities	Fair Value	Effective Duration	Benchmark Duration	Difference
Securitized Obligations				
Asset-Backed Securities	$ 339,928	0.34	2.42	(2.08)
Credit Obligations				
Corporate Bonds	321,086	5.33	7.33	(2.00)
Municipals	7,843	0.25	9.94	(9.69)
Yankees	61,408	0.61	5.57	(4.96)
Private Placement	204		3.75	(3.75)
U.S. Government and Agency Obligations				
Agency Securities	44,648	0.17	3.25	(3.08)
Treasury Bills	849,491	7.17	7.43	(0.26)
International Government	3,347	4.08	6.50	(2.42)
Collateralized Mortgage Obligations	127,109	2.92	4.11	(1.19)
Mortgage Pass-Through				
FHLMC	90,641	6.34	5.01	1.33
FNMA	314,976	6.21	5.78	0.43
GNMA	67,450	5.40	5.29	0.11
No Effective Duration				
Commingled Fund	14,153	NA	NA	NA
Total Fair Value with Weighted Average	$ 2,242,284	5.05	6.18	(1.13)

NA represents securities that have no effective duration.

(amounts expressed in thousands)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table represents cash and investments held in a foreign currency as of June 30, 2023:

Local Currency Name	Cash and Cash Equivalents	Equity	Fixed Income	Real Assets	Real Estate	Private Credit	Private Equity	Total
Australian Dollar	$ 716	55,779						56,495
Brazilian Real	2	1,433						1,435
Canadian Dollar	1,158	100,041	144					101,343
Chilean Peso		306						306
Czech Koruna	62							62
Danish Krone	1,091	79,048						80,139
Euro Currency	3,712	436,866	18,193	5,454	174,550	24,225	117,305	780,305
Hong Kong Dollar	1,101	44,543						45,644
Hungarian Forint	(362)							(362)
Japanese Yen	2,109	284,546			7,109			293,764
Mexican Peso	(588)							(588)
New Israeli Shekel	50	11,342						11,392
New Zealand Dollar	(343)	1,115						772
Norwegian Krone	(55)	10,474						10,419
Polish Zloty	(510)							(510)
Pound Sterling	573	154,236	3,150		471			158,430
Singapore Dollar	57	17,892						17,949
South African Rand	202							202
Swedish Krona	99	31,613						31,712
Swiss Franc	20	120,162						120,182
Yuan Renminbi	11							11
Total	$ 9,105	1,349,396	21,487	5,454	182,130	24,225	117,305	1,709,102

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. SCERS does not have a foreign currency risk policy.

Highly Sensitive Investments

As of June 30, 2023, SCERS' investments included Collateralized Mortgage Obligations and Mortgage Pass-Through securities totaling $600,176. These securities are highly sensitive to interest rate fluctuations in that they are subject to early payment in a period of declining interest rates. The resulting reduction in expected total cash flows affects the fair value of these securities.

As of June 30, 2023, total commodities investments were $996. The investments consist of commodity futures hedge fund-of-funds and exposure through a customized, diversified real assets strategy.

Spot commodity prices have historically been a poor investment and have declined in real terms. However, investment in collateralized commodity futures can provide higher returns. The futures market is an efficient way for producers to hedge price risk by forward-selling commodities at lower prices relative to spot prices to investors and speculators generating a roll yield (backwardation).

In general, commodities are volatile investments that are prone to large price spikes. By investing in commodity futures, investors get exposure to short-term price movement and risk, as well as long-term price trends. This price volatility and the need for producers to hedge their production provides the fundamental rationale for why investment managers pay the risk premium to speculators and long-only investors in the commodity markets.

Derivative Instruments

SCERS investment portfolios contain individual securities as well as investments in external investment pools. SCERS investment policy allows investment managers to use derivative instruments for certain purposes and within certain parameters. Such instruments include futures contracts, currency forward contracts, option contracts, swap agreements, and rights and warrants. SCERS uses derivative instruments to minimize the exposure of certain investments to adverse fluctuations in financial and currency markets, as an alternative to investments in the cash market in which the manager is permitted to invest, and as an additional yield curve and/or duration management strategy. SCERS does not use derivative instruments for speculative purposes or to create leverage, however, this does not apply to investments in external pools. As of June 30, 2023, the derivative instruments held by SCERS are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the Statement of Changes in Fiduciary Net Position.

(amounts expressed in thousands)

The table below presents the related net appreciation/(depreciation) in fair value, the fair value and the notional value of derivative instruments outstanding at June 30, 2023:

Investment Derivative Instruments	Net Appreciation/ (Depreciation) in Fair Value of Investments	Financial Statement Classification	Fair Value	Notional
Forwards	$ 308	Investment Sales and Other	547	77,193
Futures	53,198	Investment Sales and Other		378,430
Options	(260)	Investment Purchases and Other	(169)	(2,979)
Rights/Warrants	20	Investment Sales and Other		2 *
Swaps	17,064	Investment Purchases and Other	622	73,280
Total Derivative Instruments	$ 70,330		1,000	

* Presented in number of shares

Futures contracts are financial instruments that derive their value from underlying indices or reference rates and are marked-to-market at the end of each trading day. Daily settlement of gains and losses occur on the following business day. As a result, the instruments themselves have no fair value at June 30, 2023, or at the end of any trading day. Daily settlement of gains and losses is a risk control measure to limit counterparty credit risk. Futures variation margin amounts are settled each trading day and recognized in the financial statements under Investment income, net as they are incurred.

Forward contracts are obligations to buy or sell a currency or other commodity at a specified exchange rate and quantity on a specific future date. The fair value of the foreign currency forwards is the unrealized gain or loss calculated based on the difference between the specified exchange rate and the closing exchange rate at June 30, 2023.

Counterparty Credit Risk:

The tables below presents the counterparty credit ratings of SCERS non-exchange traded investment derivative instruments outstanding and subject to loss at June 30, 2023:

S&P Rating	Forwards	Swaps	Total
A	$ 61		61
A-	315		315
A+	451		451
AA-	22		22
BBB+		1,051	1,051
Investments in Asset Position	849	1,051	1,900
Investment in Liability Position	(302)	(415)	(717)
Total investments in Asset/(Liability) Position	$ 547	636	1,183

(amounts expressed in thousands)

SCERS could be exposed to risk if the counterparties to derivative instruments are unable to meet the terms of the contracts. SCERS investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. SCERS anticipates that the counterparties will be able to satisfy their obligations under the contracts.

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty risk at June 30, 2023, was $1,899. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. SCERS did not have any master netting agreements with its counterparties at June 30, 2023, except that certain investment managers used netting arrangements at their discretion to minimize counterparty risks. The above schedules present exposure for similar instruments with the same counterparty on a net basis.

At June 30, 2023, SCERS did not have any significant exposure to counterparty credit risk with any single party.

Interest Rate Risk:

At June 30, 2023, SCERS is exposed to interest rate risk on its derivative instruments as presented in the following tables:

		Investment Maturities (in years)			
Investment Type	Total Fair Value	Less Than 1	1-5	6-10	More than 10
Credit Default Swaps Bought	$ (425)		(425)		
Credit Default Swaps Written	523		523		
Fixed Income Options Bought					
Fixed Income Options Written	(1)	(1)			
Interest Rate Swaps	524		373	100	51
Total	$ 621	(1)	471	100	51

Derivative Instruments Highly Sensitive to Interest Changes:

Investment Type	Reference Rate	Fair Value	Notional Value
Interest Rate Swaps	Receive Variable 12-month SONIA, Pay Fixed 1%	$ 352	$ 2,911
Interest Rate Swaps	Receive Variable 12-month SONIA, Pay Fixed 1.15%	100	426
Interest Rate Swaps	Receive Variable 12-month SONIA, Pay Fixed 1.2%	51	197
Interest Rate Swaps	Pay Variable 0-month SOFR, Receive Fixed 4.94625%	(4)	4,028
Interest Rate Swaps	Pay Variable 0-month SOFR, Receive Fixed 5.11%	8	5,300
Interest Rate Swaps	Pay Variable 0-month SOFR, Receive Fixed 5.088%	17	13,206
Total Interest Rate Swaps		$ 524	26,068

(amounts expressed in thousands)

Foreign Currency Risk

At June 30, 2023, SCERS was exposed to foreign currency risk on its investments in forward contracts and swaps denominated in foreign currencies as presented in the following table:

	Forward Contracts			
Currency Name	Net Receivables	Net Payables	Swaps	Total Exposure
Australian Dollar	$ 5	6		11
Brazilian Real	18	3		21
Canadian Dollar	140	(39)		101
Chilean Peso		(9)		(9)
Colombian Peso	64			64
Euro Currency	(13)	217	(15)	189
Hungarian Forint	45	(10)		35
Indian Rupee		(11)		(11)
Indonesian Rupiah	(13)			(13)
Japanese Yen	(16)			(16)
Mexican Peso	13			13
New Israeli Shekel	(2)	2		
New Taiwan Dollar	(14)	1		(13)
New Zealand Dollar	(2)	2		
Peruvian Sol	2			2
Polish Zloty	26	(40)		(14)
Pound Sterling	6	(62)	503	447
Singapore Dollar		13		13
South African Rand	58	(4)		54
South Korean Won	(16)	39		23
Thailand Baht		20		20
Yuan Renminbi	(33)	151		118
Grand Total	$ 268	279	488	1,035

SCERS has investments in futures contracts. As indicated on the preceding pages, futures variation margin accounts are settled each trading day and recognized as realized gains/(losses) as they are incurred. As a result, the foreign futures contracts have no fair value at June 30, 2023.

(amounts expressed in thousands)

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2023, is as follows:

	Balance July 1, 2022, as restated (a)	Additions	Deletions	Balance June 30, 2023
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 135,666	15	(4)	135,677
Construction in progress	47,829	20,687	(20,396)	48,120
Permanent easement	19,131	2,296	(3)	21,424
Intangible assets under project	66			66
Total capital assets not being depreciated	202,692	22,998	(20,403)	205,287
Capital assets, being depreciated/amortized:				
Buildings and improvements	980,972	16,678	(25)	997,625
Infrastructure	3,428,565	91,065		3,519,630
Machinery and equipment	313,534	40,960	(7,501)	346,993
Intangible - computer software	33,506			33,506
Intangible right-to-use lease buildings	326,882	22,709	(328)	349,263
Intangible right-to-use lease machinery and equipment	2,645			2,645
Intangible right-to-use SBITAs	4,763	17,326		22,089
Total capital assets being depreciated/amortized	5,090,867	188,738	(7,854)	5,271,751
Less accumulated depreciation/amortization for:				
Buildings and improvements	(629,091)	(30,359)		(659,450)
Infrastructure	(2,260,684)	(65,400)		(2,326,084)
Machinery and equipment	(220,340)	(23,832)	7,350	(236,822)
Intangible - computer software	(30,990)	(635)		(31,625)
Intangible right-to-use lease buildings	(36,697)	(36,211)	4	(72,904)
Intangible right-to-use lease machinery and equipment	(912)	(1,146)		(2,058)
Intangible right-to-use SBITAs		(5,403)		(5,403)
Total accumulated depreciation/amortization	(3,178,714)	(162,986)	7,354	(3,334,346)
Total capital assets, being depreciated/amortized	1,912,153	25,752	(500)	1,937,405
Total governmental activities	$ 2,114,845	48,750	(20,903)	2,142,692

(a) Beginning balances were restated to include the Right-to-Use Assets as part of the implementation of GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*.

(amounts expressed in thousands)

	Balance July 1, 2022, as restated (a)	Additions	Deletions	Balance June 30, 2023
Business-type activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 135,737			135,737
Construction in progress	115,391	52,705	(12,138)	155,958
Permanent easement	57			57
Water facility rights	199,499	1,193		200,692
Other intangible assets	1,904			1,904
Total capital assets not being depreciated/amortized	452,588	53,898	(12,138)	494,348
Capital assets, being depreciated/amortized:				
Buildings and improvements	2,555,130	35,602		2,590,732
Infrastructure	246,946	31,761	(42)	278,665
Machinery and equipment	124,601	16,119	(3,232)	137,488
Computer software	651			651
Water facility rights	1,273			1,273
Intangible right-to-use lease buildings	5,660			5,660
Intangible right-to-use lease machinery and equipment	9,884	5,467		15,351
Intangible right-to-use SBITAs	294	559		853
Total capital assets being depreciated/amortized	2,944,439	89,508	(3,274)	3,030,673
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,007,026)	(68,482)	409	(1,075,099)
Infrastructure	(64,791)	(5,320)		(70,111)
Machinery and equipment	(74,240)	(11,406)	2,814	(82,832)
Computer software	(445)	(128)		(573)
Water facility rights	(532)	(25)		(557)
Intangible right-to-use lease buildings	(604)	(604)		(1,208)
Intangible right-to-use lease machinery and equipment	(3,575)	(4,200)		(7,775)
Intangible right-to-use SBITAs		(143)		(143)
Total accumulated depreciation/amortization	(1,151,213)	(90,308)	3,223	(1,238,298)
Total capital assets, being depreciated/amortized, net	1,793,226	(800)	(51)	1,792,375
Total business-type activities	$ 2,245,814	53,098	(12,189)	2,286,723

(a) Beginning balances were restated to include the Right-to-Use Assets as part of the implementation of GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*.

(amounts expressed in thousands)

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

	Depreciation/ Amortization Expense
Governmental activities:	
General government	$ 19,658
Public assistance	15,754
Public protection	28,360
Health and sanitation	12,503
Public ways and facilities	55,557
Recreation and culture	5,084
Education	1,226
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	24,844
Total depreciation expense - governmental activities	$ 162,986
Business-type activities:	
Airport	$ 57,091
Solid Waste	11,168
Water Agency	21,379
Parking Enterprise	191
County Transit	479
Total depreciation expense - business-type activities	$ 90,308

(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, 2023.

Transfers Out / In Other Funds for the fiscal year ended June 30, 2023, are as follows:

Transfer Out	Transfer In	Amount	Description
General	Nonmajor governmental	$ 189,636	Transfer to cover debt service payments and to provide support for special revenue activities
Nonmajor governmental	General	12,748	Transfer to cover debt service payments and Teeter Property tax
Nonmajor governmental	Nonmajor governmental	26,522	Transfer to cover debt service payments and fund capital projects
Internal service	Nonmajor governmental	10,474	Transfer to cover debt service and Pension Obligation Bond debt service payments
Enterprise - Water Agency	Nonmajor governmental	1,148	Transfer to cover Pension Obligation Bond debt service payments
Enterprise - Airports	Nonmajor governmental	2,953	Transfer to cover Pension Obligation Bond debt service payments
Enterprise - Solid Waste	Nonmajor governmental	2,040	Transfer to cover Pension Obligation Bond debt service payments
Nonmajor enterprise	Nonmajor governmental	25	Transfer to cover Pension Obligation Bond debt service payments
General	Internal service	1,271	Transfer to cover extra security services at County Administration Building
	Total	$ 246,817	

(amounts expressed in thousands)

NOTE 7 - LEASES & SBITAS

Lease Income and Receivables

The County leases out several of its buildings and land. Most leases have initial terms of up to 20 years, and contain one or more renewal provisions at the option of the County, generally for 3 or 5 year periods. The County has generally included these renewal periods in the lease term when it is reasonably certain that the renewal option(s) will be exercised. The County's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the County's leases is not readily determinable, the County utilizes its incremental borrowing rates, ranging from 0.20 percent to 3.01 percent depending on lease maturity dates, to measure the present value of the lease payments expected to be received during the lease term period.

Although the County is exposed to changes in the residual value at the end of the current leases, the County typically enters into new leases and therefore will not immediately realize any reduction in residual value at the end of its leases.

Minimum lease payments receivable on leases of properties and equipment are as follows:

	Governmental Activities		Business-type Activities	
For the Fiscal Year ending June 30, 2023	Principal	Interest	Principal	Interest
2024	$ 1,907	322	6,691	657
2025	1,762	298	5,943	559
2026	1,732	277	5,577	466
2027	1,762	255	3,758	380
2028	1,756	233	3,409	306
2029-2033	8,476	850	6,538	874
2034-2038	2,539	495	1,083	631
2039-2043	764	398	647	567
2044-2048	84	388	518	508
2049-2053	(101)	395	429	471
2054-2058	(62)	403	295	433
2059-2063	(15)	407	135	419
2064-2068	39	406	239	404
2069-2073	115	400	366	378
2074-2078	211	386	523	340
2079-2083	329	363	714	286
2084-2088	474	329	946	214
2089-2093	650	281	1,225	120
2094-2098	864	215	580	16
2099-2103	1,123	128		
2104-2108	739	26		
Total	$ 25,148	7,255	39,616	8,029

(amounts expressed in thousands)

The total amount of revenue (inflows of resources) relating to leases recognized in the current fiscal year is as follows:

For the Fiscal Year ended June 30, 2023	Governmental Activities	Business-type Activities
Lease revenue	$ 2,270	7,259
Interest revenue	343	525

The County's Airports Department has contracts which qualify to be treated as regulated leases in accordance with the requirements of GASB Statement No. 87. Regulated leases for airports are not subject to GASB Statement No. 87 financial reporting rules and are governed by the Federal Aviation Administration (FAA). Regulated leases include Airline Use and Lease Agreements (ULA), which address the rights, services, and privileges, including the lease of preferentially-assigned gates, which an airline has in connection with the use of the airport and its facilities. The Airports Department has 26 preferential and 6 common use gates. Of the 26 preferential gates, 15 are located in the Airport's Terminal B and 11 in Terminal A. There are 6 airlines with preferential gates. Other regulated leases include the lease of ground, terminal, hangar, and other premises. The Airports Department has not issued any debt for which the principal and interest payments are secured by lease payments.

The County recognized $65,309 of total amount of inflows of resources during the current fiscal year related to these arrangements. The amount of inflows of resources recognized in the current fiscal year for variable payments is $5,417.

As of June 30, the remaining amount of expected future payments under these contracts/arrangements amounts to $333,325, which is expected to be received for each of the subsequent five years and in five-year increments thereafter, as stated below.

For the Fiscal Year ending June 30	Expected Future Minimum Payments
2024	$ 74,587
2025	74,204
2026	73,986
2027	74,005
2028	2,692
2029-2033	12,248
2034-2038	5,999
2039-2043	4,905
2044-2048	3,133
2049-2053	3,133
2054-2058	3,133
2059-2063	1,085
2064-2068	215
Total	$ 333,325

(amounts expressed in thousands)

Lease Payable

As a lessee, the County is obligated under leases covering buildings, land, and equipment that expire at various dates during the next 19 years.

The County entered into various contracts as lessee primarily for office space, land, heavy equipment, and office equipment. Most of the contracts have initial terms of up to 20 years, and some renewal options, generally for an additional one to five-year periods. The County included these renewal periods in the lease term when it is reasonably certain that the renewal option(s) will be exercised. The County's lease contracts generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred. The County's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the County's leases is not readily determinable, the County utilizes its incremental borrowing rate to discount the lease payments, ranging from 0.20 percent to 3.13 percent depending on lease maturity dates, to measure the present value of the lease payments expected to be paid during the lease term period.

The future principal and interest lease payments as of June 30, 2023 are as follows:

	Governmental Activities		Business-type Activities		Component Unit First 5 Commission	
For the Fiscal Year ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 33,023	3,982	3,883	160	83	4
2025	31,767	3,465	2,893	113	103	3
2026	31,570	3,060	1,822	72	107	2
2027	30,619	2,651	967	41	110	1
2028	27,234	2,261	522	32	85	1
2029-2033	105,704	5,885	2,131	55		
2034-2038	23,952	681				
2039-2042	2,985	85				
Total	$ 286,854	22,070	12,218	473	488	11

(amounts expressed in thousands)

SBITAs Payable

The County entered into various Subscription-Based Information Technology Arrangements (SBITAs). Most of the contracts have initial three-year terms, and the remainder of the contracts contain terms which range from two to ten years. Some contracts contain renewal options, generally for an additional one to five-year periods. The County included these renewal periods in the SBITA term when it is reasonably certain that the renewal option(s) will be exercised. Many of the County's SBITA contracts also include options to extend contract terms upon mutual agreement with the vendor, and some contracts contain termination options where either party may terminate the contract at any time for any reason. Such period(s) are excluded from the subscription terms. Certain SBITAs require additional payments for infrastructure technology (IT) support, training, and maintenance fees, which are expensed as incurred. As the interest rate implicit in the County's SBITAs is not readily determinable, the County utilizes its incremental borrowing rate to discount the SBITA payments, ranging from 1.87 percent to 2.53 percent depending on SBITA maturity dates, to measure the present value of the SBITA payments expected to be paid during the lease term period.

The County entered into a SBITA contract with Grant Street Group in February 2023 to provide property tax processing software for a period of ten years. Currently, this SBITA is in the implementation stage and is expected to be placed into service by September 2025. The County recognized initial implementation costs as a prepaid SBITA asset in the the amount of $2,026 and will capitalize these costs as an addition to the subscription asset once it is placed into service. Total implementation costs are expected to be $26,301.

The future principal and interest SBITA payments as of June 30, 2023 are as follows:

	Governmental Activities		Business-type Activities		Component Unit First 5 Commission	
For the Fiscal Year ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 6,154	340	299	17	77	1
2025	5,588	183	209	10		
2026	4,222	45	212	4		
2027	47	1				
Total	$ 16,011	569	720	31	77	1

(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, 2023:

	Balance July 1, 2022, as restated (a)	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 142,457	122,985	(110,429)	155,013	12,342
Certificates of participation	119,718	10,000	(10,455)	119,263	10,979
Teeter notes	22,151	23,416	(23,294)	22,273	6,176
Pension obligation bonds	625,201		(265,354)	359,847	106,887
Accreted interest	35,969		(25,475)	10,494	10,494
Direct placement bonds		180,740		180,740	405
Revenue bonds	271,194		(12,210)	258,984	6,418
Accreted interest	7,313	3,126	(486)	9,953	667
Other long-term debt	2,393	1,107	(762)	2,738	586
Litigation liability	71,411		(5,575)	65,836	5,743
Financed purchase obligations	17,600	22,000	(7,402)	32,198	8,003
Lease liability	297,937	22,709	(33,792)	286,854	33,023
SBITA liability	4,763	17,326	(6,078)	16,011	6,154
Unamortized amounts					
Issuance premiums	44,987	445	(2,367)	43,065	(2,377)
Issuance discounts	(1,682)		846	(836)	227
Total governmental activities - long-term obligations	$ 1,661,412	403,854	(502,833)	1,562,433	205,727
Business-type activities:					
Compensated absences	$ 8,833	8,295	(7,269)	9,859	471
Revenue bonds	887,525		(10,875)	876,650	11,405
PFC and subordinate revenue bonds	214,390		(5,990)	208,400	6,290
Reimbursement agreements	1,638		(328)	1,310	328
Financed purchase obligations	5,823	4,800	(868)	9,755	1,502
Loan agreements		35,000		35,000	586
Revolving line of credit agreement		1,080		1,080	
Lease liability	11,460	5,467	(4,709)	12,218	3,883
SBITA liability	294	499	(73)	720	299
Unamortized amounts					
Issuance premiums	109,702		(10,201)	99,501	
Total business-type activities - long-term obligations	$ 1,239,665	55,141	(40,313)	1,254,493	24,764

(amounts expressed in thousands)

	Balance July 1, 2022, as restated (a)	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Component Unit (First 5 Commission):					
Compensated absences	$ 328	185	(128)	385	31
Lease liability	559		(71)	488	83
SBITA liability	154		(77)	77	77
Total component unit	$ 1,041	185	(276)	950	191

(a) Beginning balances were restated to include the SBITA liabilities as part of the implementation of GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*

Internal service funds predominately serve governmental funds. Accordingly, long-term liabilities reported in these funds are included with governmental activities. At year-end, $13,048 of the internal service funds compensated absences balance and $27,698 of the internal service funds financed purchase obligations balance is included in governmental activities and $4 in lease & SBITA obligations. Also, for the governmental activities, claims and judgments (if applicable) and compensated absences are liquidated by the General Fund and internal service funds.

(amounts expressed in thousands)

Individual issues of bonds, notes and certificates of participation outstanding at June 30, 2023 are as follows:

Governmental Activities:

	Amount Outstanding at June 30, 2023
Certificates of Participation (COP):	
County of Sacramento 2003 Certificates of Participation (Juvenile Courthouse Project) issued June 19, 2003, in an aggregate principal amount of $36,150. Principal payments are due December 1, 2023 through December 1, 2034, escalating from $1,295 to $2,160, with an interest rate at 5 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.	$ 20,165
County of Sacramento 2018 Certificates of Participation issued on November 28, 2018, in an aggregate principal payment of $89,125. 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, 2023 through the October 1, 2033. Payments escalate from $3,890 to $4,755 for Series 2018A and $440 to $2,755 for Series 2018B, with an interest rate of 5 percent. 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.	62,100
County of Sacramento 2020 Certificates of Participation issued on October 22, 2020, in an aggregate principal payment amount of $27,080. The County issued the 2020 bonds to refund and defease $39,755 of outstanding debt for 2010 Certificates of Participation, and debt service reserve of $3,231. Principal payments are due October 1, 2023 through October 1, 2029. Payments escalate from $2,700 to $3,645 with an interest rate of 5 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.	22,070
On November 19, 2020 the Sunrise Recreation & Park District (SRPD) Board approved the issuance of Certificates of Participation in an aggregate principal payment amount of $5,421. SRPD issued the bonds to refund and defease $5,485 of outstanding debt for SRPD's previous Certificates of Participation issued in June 2006. Principal payments are due September 1, 2023 through September 1, 2037, escalating from $259 to $408, with interest at 3.25 percent. There is no accelerated payment schedule if payment goes into default.	4,928

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2023
The Carmichael Recreation and Park District (CRPD) has been authorized to issue $31,900 of general obligation bonds to finance improvements and property of CRPD. On March 9, 2023, the CRPD Board issued $5,360 Series 2023A-1 Bonds with an interest rate of 5.00 percent. Interest payments are due August 1, 2023 through August 1, 2052, with principal payments due August 1, 2044 through August 1, 2052 escalating from $395 to $830. On March 9, 2023, the CRPD Board also issued $4,640 Series 2023A-2 Federally Taxable bonds with an interest rate escalating from 4.95 percent to 5.80 percent between August 1, 2023 to August 1, 2043. Principal payments are due August 1, 2024 through August 1, 2043, fluctuating from $70 to $690. At June 30, 2023, $21,900 of authorized bonds remain unissued. There is no accelerated payment schedule if payment goes into default.	10,000
Total certificates of participation	119,263
Add: Issuance premium	12,291
	$ 131,554

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2023
Teeter notes:	
County of Sacramento, 2018 Teeter Loan Agreement Note, dated December 4, 2018, to purchase the delinquent property taxes receivables as of June 30, 2018, of $20,372. Annual payments of principal and interest are due August 1st of each year and 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 3.302 percent in the FY 2022-23 and was 4.346 percent at June 30, 2023.	$ 717
County of Sacramento, 2019 Teeter Loan Agreement Note, dated November 19, 2019, to purchase the delinquent property taxes receivables as of June 30, 2019, of $20,639. Annual payments of principal and interest are due August 1st of each year and ending in 2024. 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, 2024. Interest payments will be at a variable rate that averaged 3.302 percent in the FY 2022-23 and was 4.346 percent at June 30, 2023.	1,660
County of Sacramento, 2020 Teeter Loan Agreement Note, dated January 12, 2021, to purchase the delinquent property taxes receivables as of June 30, 2020, of $25,131. Annual payments of principal and interest are due August 1st of each year and ending in 2025. 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, 2025. Interest payments will be at a variable rate that averaged 3.302 percent in the FY 2022-23 and was 4.346 percent at June 30, 2023.	2,990
County of Sacramento, 2021 Teeter Loan Agreement Note, dated November 16, 2021, to purchase the delinquent property taxes receivables as of June 30, 2021, of $22,967. Annual payments of principal and interest are due August 1st of each year and ending in 2026. 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, 2026. Interest payments will be at a variable rate that averaged 3.302 percent in the FY 2022-23 and was 4.346 percent at June 30, 2023.	5,022
County of Sacramento, 2022 Teeter Loan Agreement Note, dated December 6, 2022, to purchase the delinquent property taxes receivables as of June 30, 2022, of $23,416. Annual payments of principal and interest are due August 1st of each year and ending in 2027. 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, 2027. Interest payments will be at a variable rate that averaged 3.801 percent in the FY 2022-23 and was 4.346 percent at June 30, 2023.	11,884
Total Teeter notes	$ 22,273

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2023
Pension obligation bonds (POB):	
County of Sacramento Pension Obligation Bonds issued July 15, 2003, $152,321 of Series 2003 A & B Taxable Pension Refunding 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 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 payment on the Series 2003B bonds was made August 15, 2022 for $69,014, and the final principal payment commencing August 15, 2023, will be for $28,427. The rate on Series 2003B bonds is 5.73 percent.	$ 28,427
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. 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 Swaps. On June 2, 2023 the County refunded the 2030 Maturing Series of the 2008 POB by issuing the 2023 Synthetic Fixed Bond Series which refunded with a direct placement principal amount of $179,315. See page 101 for Pension Obligation Bonds – Direct Placement. The 2026 Maturing Series remains outstanding with an $87,325 principal balance. Principal payments on the remaining Series 2008 bonds are due July 10, 2023 through July 10, 2026, fluctuating from $17,650 to $26,675.	87,325
County of Sacramento Taxable Pension Obligation Bonds, Series 2011A issued on September 22, 2011, $183,365 of Series 2011A Taxable Pension Funding Bonds. 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 costs of issuance of the Series 2011A Bonds. The final principal payment on the 2011 bonds is due August 1, 2023, with a payment of $58,260 at an interest rate of 6.420 percent.	58,260
County of Sacramento Taxable Pension Obligation Bonds, Series 2011B issued on October 6, 2011, $73,875 of Series 2011B Taxable Pension Funding Bonds. 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, 2023
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, 2023, on the 2003B Pension Obligation Bonds is $10,494. 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	359,847
Add: Accreted interest	10,494
Less: Issuance discount	(547)
	$ 369,794

Pension Obligation Bonds - Direct Placement:

County of Sacramento Pension Obligation Bonds issued June 2, 2023, $180,740 of Series 2023 Taxable Pension Refunding Bonds. The County issued the Series 2023 Bonds to refund and defease $179,315 of the Series 2008 Taxable Pension Refunding Bonds and to pay for the costs of issuance of the Series 2023 Bonds. The economic loss of the refunding (difference between the present value of the debt service payments on the refunded debt and the new debt) was $6,764 and there was a cash flow savings of $8,535. Principal payments on the Series 2023 Bonds are due July 10, 2023 through July 10, 2030, escalating from $405 to $47,695, with an interest rate of 6.375 percent attributable to $166,950 current swap principal and an interest rate of 4.122 attributable to $13,790 new swap principal. See Note 9, Derivatives - Interest Rate Swaps. The deferred outflows on refunding for the Series 2008 Taxable Pension Refunding Bonds amounted to $2,176 attributable to the existing swap and $155 to the new swap. These amounts will be amortized through July 10, 2030. The bonds contain a provision that if payment goes into default, the interest rate on the Bonds shall increase to the Default Rate until the event of default has been cured. The Default Rate is four percent plus a rate of interest per annum equal to the highest of (a) the Prime Rate plus one percent, (b) the Federal Funds Rate plus two percent and (c) seven percent.	$ 180,740

(amounts expressed in thousands)

		Amount Outstanding at June 30, 2023
Revenue Bonds:		
On February 18, 2021, the Tobacco Securitization Authority of Northern California issued $230,706 of Series 2021 Refunding bonds. The Authority used the proceeds from the issuance of the Series 2021 Refunding Bonds, together with other available funds, to refund on a current basis $264,391 of the Authority's outstanding Tobacco Settlement Asset-Backed Series 2005 Bonds through defeasance and redemption, and fund a deposit to the Senior Liquidity Reserve Account held under the Indenture and pay costs of issuance in connection with the issuance of the Series 2021 Bonds. The Series 2021 Refunding Bonds are payable solely from pledged Tobacco Settlement Revenues and interest earnings on amounts on deposit. The Authority issued $124,625 of Series 2021A Senior Current Interest Bonds. The Series 2021A Serial Bonds are for $87,120 with interest rates ranging from 3.0 percent to 5.0 percent and a final maturity date of June 1, 2040. The Series 2021A Term Bonds are for $37,505 with an interest rate of 4.0 percent and a final due date of June 1, 2049. The Authority issued $35,000 for the Series 2021B-1 Class 2 Current Interest Bonds. The first Series 2021B-1 turbo Term Bonds are for $7,500 with an interest rate of 0.45 percent, with an expected final turbo redemption date of June 1, 2022, with a due date of June 1, 2030. The second Series 2021B-1 Turbo Term Bonds are for $27,500 with an interest rate of 4.0 percent, with an expected final turbo redemption date of June 1, 2027, with a due date of June 1, 2030. The Authority issued $71,081 for the Series 2021B-2 Class 2 Senior Capital Appreciation Bonds with an interest rate of 3.75 percent, with an expected final turbo redemption date of June 1, 2043, with a due date of June 1, 2060. The bonds contain a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if the Authority is unable to make payment.	$	199,781
The Sacramento County Public Financing Authority (PFA) issued three series of Revenue Bonds issued December 23, 2003 totaling $54,921, for the purpose of allowing the PFA 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 $32,447, payable through December 2033. For the current year, principal and interest paid and total incremental tax revenues were $1,985 and $1,063, respectively. The PFA issued $33,696 of Series A Mather/McClellan and Del Paso Heights project areas improvements. The series includes $13,940 in serial bonds, maturing from December 2004 to 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 to 2030. The PFA issued $8,345 of Series B Mather/McClellan Housing Project. The issue consists of four term bonds ranging in value from $670 to $4,450. The bonds mature from 2008 through 2033. Stated interest rates range from 3.82 percent to 6.26 percent.		

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2023
Sacramento County Public Financing Authority (PFA) issued two series of Tax Allocation Revenue Bonds on March 5, 2008, totaling $48,545, 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 tax increment and/or housing set-aside tax increment revenues, depending upon the project. 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 $58,424, payable through December 2038. For the current year, principal and interest paid and total RPTTF distributions were $965 and $2,022, respectively. The PFA issued $24,765 of Series A Mather/McClellan (Tax Exempt) Redevelopment Area improvements. The bonds were structured with one serial maturity in 2028 and three term bonds. The $950 2028 serial bonds were priced with a 4.5 percent coupon to yield 4.66 percent. The $4,930 2032 term bond was priced with a 4.625 percent coupon to yield 4.8 percent. The $18,885 2038 term bond was split into two: $5,000 was priced with a 5.0 percent coupon to yield 4.76 percent; the balance of $13,885 was priced with a 4.625 percent coupon to yield 4.85 percent. The PFA issued $23,780 of Series B Mather/McClellan (Taxable) Redevelopment Area and Housing Project. The bonds were structured with serial maturities in 2008 through 2014 and three term bonds - all sold as par bonds with coupon equal to yield. Yields on the $4,500 serials ranged from 3.33 percent in 2008 to 4.52 percent in 2014. The $2,815 2018 term bonds were priced to yield 5.317 percent; the $9,795 2028 term bonds were priced to yield 6.227 percent; and the $6,670 term bonds were priced to yield 6.577 percent. The bonds contain a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if the PFA is unable to make payment. Redevelopment agencies were dissolved as of January 31, 2012. See Note 22 – 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 tax-exempt Series A bonds maturing on or after December 1, 2019 are subject to redemption in whole, or in part among such maturities as designated by the PFA. 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 basis of the value of debt service otherwise due on the redeemed bonds discounted at the comparable Treasury yield plus 12.5 basis points.	59,203
Total revenue bonds	258,984
Add: Accreted interest	9,953
Add: Issuance Premium	30,774
Less: Issuance discount	(289)
	$ 299,422

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2023
Other long-term debt:	
Sacramento County Water Agency's reimbursement agreements with interest at the net County Treasury Pool Rate, is to be paid on the unpaid balance after County's acceptance of project completion, unless paid within 90 days of acceptance and maturities ranging from 30 days to 5 years to be repaid from drainage permit revenues in the Water Agency's Special Revenue Fund.	$ 2,738
Financed purchase obligations:	
The County entered into various financing arrangements for the acquisition of Information Technology equipment. Payment terms range from 4 to 10 years with annual payments due. The interest rates range from 2.5 percent to 6.6 percent.	$ 32,198

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 in November 2017, 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, which include principal and interest, range from $7.7 million to $8.2 million, with the first payment having commenced 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, 2023, the outstanding balance is $65,836. In the case of default, the entire unpaid portion of the settlement amount plus interest shall become immediately due. Also, the prejudgment interest will immediately begin to accrue on the default amount from the acceleration date at the rate of 9.5 percent.

(amounts expressed in thousands)

Long-term debt obligation maturities for 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, 2023.

	Certificates of Participation		Teeter Notes		Pension Obligation Bonds		Pension Obligation Bonds- Direct Placement	
Fiscal Year ending June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 10,979	5,227	6,176	1,118	106,887	30,847	405	10,136
2025	12,223	5,017	5,459	620	123,985	12,451	680	10,098
2026	12,251	4,407	4,629	414	111,325	4,215	705	10,058
2027	12,866	3,795	3,632	236	17,650		13,650	9,291
2028	13,540	3,152	2,377	90			34,730	7,339
2029 - 2033	38,279	9,068					130,570	7,817
2034 - 2038	11,750	2,586						
2039 - 2043	1,595	1,758						
2044 - 2048	2,265	1,237						
2049 - 2053	3,515	558						
	$ 119,263	36,805	22,273	2,478	359,847	47,513	180,740	54,739

	Revenue Bonds		Other		Financed Purchase Obligations	
Fiscal Year ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 6,418	9,189	586	37	8,003	195
2025	6,424	8,718	511	31	7,655	114
2026	6,673	8,402	416	24	6,540	43
2027	7,005	8,069	311	19	5,000	
2028	7,318	7,716	311	14	5,000	
2029 - 2033	39,656	31,787	603	16		
2034 - 2038	45,340	19,813				
2039 - 2043	28,394	11,086				
2044 - 2048	20,620	6,466				
2049 - 2053	20,055	802				
2054 - 2058						
2059 - 2060	71,081	234,869				
	$ 258,984	346,917	2,738	141	32,198	352

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2023
Business-type Activities:	
Revenue, Passenger Facility Charges (PFC) and Subordinate 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 rate on the 2007A bonds is 5.0 percent. The variable interest rates on the 2007B bonds range from 2.239 percent to 2.259 percent at June 30, 2023. 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 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 Swaps. Outstanding principal and related accrued interest 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.	$ 227,015
On October 31, 2019, the Sacramento County Water Financing Authority issued $88,790 of Revenue Bonds for the Sacramento County Water Agency Zones 40 and 41 2019 Refunding Project Series. The Series 2019 Bonds were issued to refund and defease $103,185 of outstanding debt for Sacramento County Water Agency Zones 40 and 41 2007A (Fixed Rate) Series Water System Project Revenue Bonds. Principal payments on the Series 2019 bonds are due June 1, 2021 through June 1, 2028 and range from $7,115 to $10,900, with an interest rate of 5 percent. Outstanding principal and related accrued interest 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.	47,710
On February 1, 2022, the Sacramento County Water Financing Authority issued $81,215 of Water Agency Revenue Bonds, Series 2022A for the Sacramento County Water Agency Zones 40 and 41 Interim Financing. The proceeds of the Series 2022A Bonds are used to finance on an interim basis a portion of costs of the Arden Service Area Distribution System Pipe Realignment and Meter Installation Project, which will provide for improvements for the Arden Service Area. Interest payments on the Series 2022A are due on June 1 and December 1 of each year, commencing on June 1, 2022, with an interest rate of 4 percent and ending on November 1, 2025 with a final principal payment of $81,215. The Agency and the Authority have entered into a Water Infrastructure Finance and Innovation (WIFIA) Credit Agreement with the United States Environmental Protection Agency on December 8, 2021. The Agency expects to draw on the WIFIA Credit Agreement to reimburse it for eligible project costs thereby providing funds to pay the principal of the Series 2022A Bonds at maturity or early redemption. In the event of default, the Authority or the Agency would likely need to issue bonds, notes or other obligations to pay the principal of the Series 2022A bonds. Debt service on such bonds, notes or other obligations could be materially higher than payments on the WIFIA Credit Agreement.	81,215
On May 1, 2008, the County issued $496,195 of Department of Airports 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.	

Amount Outstanding at June 30, 2023

On July 28, 2009, the Department of Airports issued additional bonds in the amount of $480,050 to continue the financing of the Terminal Modernization Program, Department of Airports 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 Department of Airports 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 Department of Airports 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 of 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 Department of Airports Senior Revenue Refunding Bonds, Series 2016A and $92,790 of Department of Airports Subordinate Revenue Refunding Bonds, Series 2016B. The Series 2016A Senior Bonds were issued to advance refund a portion of the outstanding County of Sacramento Department of Airports Senior Revenue Bonds, Series 2008A and all of the outstanding County of Sacramento Department of Airport Senior Revenue Bonds, Series 2009A. Principal payments are due July 1, 2035 through July 1, 2041. The Series 2016B Subordinate Bonds were issued to advance refund all of the outstanding County of Sacramento Department of Airports 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 related to refunding amounted to $18,228 and will be amortized through July 1, 2041.

On May 3, 2018, the County issued $61,710 of Department of Airports Senior Revenue Refunding Bonds, Series 2018A, $118,875 of Department of Airports Senior Revenue Refunding Bonds, Series 2018B, $254,925 of Department of Airports Senior Revenue Refunding Bonds, Series 2018C, $22,365 of Department of Airports Subordinate Revenue Refunding Bonds, Series 2018D, $99,745 of Department of Airports Subordinate Revenue Refunding Bonds, Series 2018E and $15,480 of Department of Airports Subordinate Revenue Refunding Bonds, Series 2018F. Principal payments are due July 1, 2022 through July 1, 2039. 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 outflows related to refunding totaled $10,962 and will be amortized through July 1, 2039.

On June 25, 2020, the County defeased the 2021 and 2022 maturities of the Series 2010 Department of Airport Senior Bonds and Series 2018 Department of Airports Senior Bonds for a total of $33,100 to lower the debt service payments for FY 2020-21 and FY 2021-22, and consequently reduce the fees and charges related to the debt service payments. The Department of Airports has used its existing cash resources for the defeasance and subsequently submitted a reimbursement request to the Federal Aviation Administration to recover the defeasance cost which was an eligible expense under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act. The Department of Airports has placed an amount of $35,940 with the escrow agent to provide for the debt service payments of the 2021 and 2022 maturities of the 2010 and 2018 Senior Bonds and their related interest obligations. The transaction resulted in a gain on defeasance of $1.3 million.

Amount Outstanding at June 30, 2023

On August 13, 2020, the County issued $79,705 of Department of Airports Senior Revenue Refunding Bonds, Series 2020 to refund the outstanding Department of Airports Senior Revenue Bonds, Series 2010. The refunding was undertaken to reduce total debt service payments by an average of $2.0 million annually and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $34.6 million. The deferred amounts on refunding totaled $1,474 and will be amortized through July 1, 2040. Principal payments are due July 1, 2023 through July 1, 2040. The Series 2020 Senior Refunding Bonds were 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 as supplemented by a Tenth Supplemental Indenture of Trust, dated as of August 1, 2020, between the County and the Trustee. The Series 2020 Senior Refunding Bonds are secured by the Trust, 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 derived by the County from the operation of the Airport System. The Series 2020 Senior Bonds constitute Senior Obligations 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.

On January 25, 2022, the County defeased the 2023 and 2024 maturities of the Series 2020 Airport System Senior Bonds and Series 2018 Airport System Senior Bonds in the amount of $35,010 to lower the debt service payments for fiscal years 2023 and 2024, and consequently reduce the fees and charges related to the debt service payments. Airports used its existing cash resources for the defeasance and subsequently submitted a reimbursement request to the Federal Aviation Administration to recover the defeasance cost which was an eligible expense under the provisions of the American Rescue Plan Act (ARPA). Airports has placed an amount of $37,811 with the escrow agent to provide for the debt service payments of the 2023 and 2024 maturities of the 2020 and 2018 Senior Bonds and their related interest obligations. The transaction resulted in a gain on defeasance of $2.5 million. The prepaid insurance, bond premiums, and the deferred amounts on prior refunding transactions related to the defeased maturities have been written off. The entire $35,010 of the defeased debt remains outstanding as of June 30, 2023.

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2023
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. The subordinate obligation is not subject to this acceleration if any senior obligations are then outstanding. Junior subordinate obligations are not subject to this acceleration if any subordinate or senior obligations are then outstanding.	520,710
Total Revenue Bonds	876,650
PFC and Subordinate Bonds	208,400
Add: Issuance premiums	99,501
	$ 1,184,551

Reimbursement agreements:

Sacramento County Water Agency (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 the net revenues of the Water Agency.	$ 1,310

Financed purchase obligations:

Sacramento County Solid Waste Enterprise fund entered into a financing arrangement on August 13, 2021 for the acquisition of 14 automatic side loading garbage collection trucks. Semi-annual payments are due from August 13, 2022 to August 23, 2028. The interest rate is 7.45 percent. Of the $6.254 million debt issued, only $5.840 million was used to purchase and finance the equipment. The remaining $414 is held in escrow as restricted cash to be used towards payments due.	$ 4,955
Sacramento County Solid Waste Enterprise fund entered into a financing arrangement on March 8, 2023 for the acquisition of 9 automatic side loading garbage collection trucks. Semi-annual payments are due from September 8, 2023 to March 8, 2030. The interest rate is 3.14 percent.	4,800
Total Financed Purchase Obligations	$ 9,755

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2023
Loan agreements:	
Sacramento County Solid Waste Enterprise fund entered into a financing arrangement on January 17, 2023 for the improvement of the North Area Recovery Station and for the construction of a new Commercial Waste Transfer Building. The projects are funded by the IBank Loan for $35,000 at an interest rate of 4.37 percent. Principal payments are due from August 1, 2023 through August 1, 2052, escalating from $586 to $2,027.	$ 35,000
Revolving line of credit:	
On December 8, 2022, the County entered into a Revolving Credit Agreement with Wells Fargo Bank, N.A. to obtain interim financing, in aggregate not to exceed $50,000, for the Department of Airports SMForward Projects. The principal of each Revolving Loan shall be repaid in full by the commitment expiration date of December 8, 2025. As of June 30, 2023, the outstanding loan balance was $1,080. This has a variable interest rate which is based on the applicable spread ranging from 35 to 113 basis points (based on credit ratings) plus daily simple SOFR, with a maximum interest rate of 12 percent.	$ 1,080

(amounts expressed in thousands)

Long-term debt obligation maturities for 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, 2023.

	Revenue Bonds and PFC Revenue Bonds		Reimbursement Agreements	
Fiscal Year ending June 30	Principal	Interest	Principal	Interest
2024	$ 17,695	51,242	328	
2025	18,555	50,286	328	
2026	121,465	46,953	654	
2027	42,240	43,595		
2028	43,825	41,478		
2029 - 2033	265,555	172,189		
2034 - 2038	324,350	102,570		
2039 - 2042	251,365	24,323		
	$ 1,085,050	532,636	1,310	

	Financed Purchase Obligations		Loans Agreements	
Fiscal Year ending June 30	Principal	Interest	Principal	Interest
2024	$ 1,502	199	586	1,576
2025	1,531	169	612	1,490
2026	1,562	139	639	1,463
2027	1,593	108	667	1,435
2028	1,625	76	696	1,405
2029 - 2033	1,942	61	3,963	6,530
2034 - 2038			4,908	5,564
2039 - 2043			6,078	4,369
2044 - 2048			7,528	2,888
2049 - 2053			9,323	1,053
	$ 9,755	752	35,000	27,773

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 the fiscal year ended June 30, 2023.

Non-Exchange Financial Guarantees

River City Regional Stadium Financing Authority; Taxable Lease Revenue Bonds, Series 1999

The Board executed the board resolution in May 1999 authorizing the execution and delivery of a joint exercise of powers agreement of the River City Regional Stadium Financing Authority (the Authority). The County is a member of the Authority. 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 Sutter Health Park. 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, 2023, the principal amount of bonds outstanding was $18,675 and 66 percent of the average annual lease obligation amount is $2,337. 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.

Conduit Debt Obligations

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 the County or a pledge of the faith and credit of the Airports. Airports will not be obligated to levy any taxes or expend any funds for the repayment of the bonds. As of June 30, 2023, the outstanding balance of the debt was $8,800. The Special Facility Bonds mature on November 1, 2028.

(amounts expressed in thousands)

NOTE 9 - DERIVATIVE INSTRUMENT - INTEREST RATE SWAPS

All five 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 $127,060 and $99,955 Water Agency Revenue bonds, Series 2007B Swaps, and the regression analysis method for the $87,325 Taxable Pension Bonds - 2008 C-1 Swap, and the $166,950 and $13,790 refunding 2023 POBs.

Hedging derivative instruments are classified as Level 2 fair value measurement within the fair value hierarchy established by GAAP 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. The payments are then discounted using the spot rates of LIBOR (London Interbank Offered Rate) or SOFR (Secured Overnight Financing Rate) implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. As of June 30, 2023 LIBOR still existed, therefore, the two water swaps and the Series 2008 C-1 swap are discounted using LIBOR. Starting July 1, 2023, these swaps will be discounted using SOFR.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2023, classified by type, and the changes in fair value of such derivative instruments, as reported for the fiscal year ended June 30, 2023 financial statements are as follows.

		Changes in Fair Value		Fair Value - as of June 30, 2023	
	Notional Amount	Classification	Amount	Classification	2023
Governmental Activities:					
Cash Flow Hedges:					
Series 2008 C-1 Swap					
Pay-fixed interest rate swap	$ 87,325	Deferred outflow of resources	$ 10,483	Debt	$ (1,340)
Series 2023 POB refunding					
Pay-fixed interest rate swap	166,950	Deferred outflow of resources	7,181	Debt	(15,422)
Series 2023 POB refunding					
Pay-fixed interest rate swap	13,790	Deferred inflow of resources	225	Debt	225
		Total Governmental Activities	$ 17,889		$ (16,537)
Business-Type Activities:					
Cash Flow Hedges:					
Series 2007 B Swap					
Pay-fixed interest rate swap	$ 127,060	Deferred outflow of resources	$ 8,006	Debt	$ (7,308)
Series 2007 B Swap					
Pay-fixed interest rate swap	99,955	Deferred outflow of resources	7,624	Debt	(10,294)
		Total Business-Type activities	$ 15,630		$ (17,602)

(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, 2023, along with the credit rating of the associated counterparty:

Governmental Activities:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Series 2008 C-1 Swap Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 C-1 bonds	$ 87,325	6/10/2023	7/10/2026	County pays 5.901% fixed; receives USD LIBOR - BBA adjusted monthly; 5.191%	Aa1 Moody's A+ S&P AA- Fitch
Series 2023 POB refunding Pay-fixed interest rate swap	Hedge of changes in cash flows on 2023 bonds	166,950	6/10/2023	7/10/2030	County pays 6.375% fixed; receives SOFR + 0.56448%; 5.618	Aa1 Moody's A+ S&P AA- Fitch
Series 2023 POB refunding Pay-fixed interest rate swap	Hedge of changes in cash flows on 2023 bonds	13,790	6/2/2023	7/10/2030	County pays 4.122% fixed; receives SOFR + 0.56448%; 5.619	Aa1 Moody's A+ S&P AA- 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	$ 127,060	5/9/2007	6/1/2034	Water Agency pays fixed 4.193%; receives 67% of USD LIBOR-BBA plus 55 bps	Aa2 Moody's A+ S&P AA Fitch
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	Aa2 Moody's A+ S&P AA Fitch

Taxable Pension Funding Bonds Refunding 2008 C-1 Swap and 2023 Refunding POBs:

Credit Risk:

2008 Pension Obligation Refunding Bonds: Other than the risk of the County being required to make a termination payment described below, the County is not exposed to credit risk resulting from a failure of the counterparty to perform because the swaps have an aggregate negative fair value. However, should interest rates change and the fair value of the swaps become positive, the County would be exposed to the credit risk of the counterparty in the amount of the derivative's fair value.

(amounts expressed in thousands)

2023 Pension Obligation Refunding Bonds: The Bonds are subject to a rate increase based on ratings assigned to the County's Certificates of Participation (COPs) bonds. The Bonds are currently calculated at the interest rate of Daily SOFR Index Rate + 45 basis points (0.45%) (Tier 1), and are subject to an Applicable Spread based on the following ratings of the COPs:

Tier	Credit Ratings(Moody's/S&P/Fitch)	Applicable Spread
I	A2/A/A and above	.45
II	A3/A-/A-	.55
III	Baa1/BBB+/BBB+	.77
IV	Baa2/BBB/BBB	.90

In the event the County maintains two or more ratings, and in the case of a split rating or differing ratings among the Rating Agencies, the rating corresponding to the highest numbered tier identified above shall apply for determining the Applicable Spread. At least one outstanding issue of COPs, rated by at least two of the following three nationally recognized ratings agencies, must maintain ratings at or above the following levels: Baa2 (or equivalent) by Moody's, BBB (or equivalent) by S&P, or BBB (or equivalent) by Fitch. Should the County not maintain these ratings, the interest rate on the Bonds shall increase to the Trigger Rate, which represents a rate of interest per annum equal to the highest of (a) the Prime Rate plus one percent (1.00%), (b) the Federal Funds Rate plus two percent (2.00%), or (c) seven percent (7.00%).

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 or SOFR 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 2008 bond refunding the 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, however, both the of the indices for the Bonds and the swap payments are now tied to the 1-month Fallback Rate (SOFR) with a 5-day London banking day lookback. There is no basis risk associated with the 2023 Pension Obligation Refunding Bonds as both the bond and the associated swaps are tied to SOFR plus 0.56448 percent.

Contingencies:
Should the County be downgraded below Baa2 by Moody's or BBB by S&P and Fitch and an insurer event has occurred, then the counterparty has the option to terminate the swap.

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, 2023 was $16,537.

Water Agency Revenue Bonds, Series 2007B Swaps:
Credit Risk:
Other than the risk of the Sacramento County Water Agency (Water Agency) being required to make a termination payment described below, the Water Agency is not exposed to credit risk resulting from a failure of the counterparty to perform because the swap has a negative fair value. However, if the swap had a 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 Service, A+ by S&P Global Ratingss and AA by Fitch.

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 of the USD-LIBOR.

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 valuation thresholds. Conversely, the Water Agency does not have to post collateral unless 1) a rating event occurs if 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.

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 have a negative fair value, the Water Agency would be liable to the counterparty for a payment equal to the swaps fair value, subject to netting arrangements.

(amounts expressed in thousands)

***Derivative Instrument Payments and Hedged Debt*:**
Using the rates as of June 30, 2023, debt service requirements for 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:

	Pension Refunding Bonds Series 2008 & 2023 Variable-Rate			
Fiscal Year ending June 30	Principal	Interest	Interest Rate Swaps, Net	Net Cash Flows
2024	$ 20,605	14,604	1,552	36,761
2025	23,480	13,102	1,402	37,984
2026	27,380	11,352	1,224	39,956
2027	31,300	9,450	1,034	41,784
2028	34,730	7,502	817	43,049
2029 - 2031	130,570	8,429	911	139,910
	$ 268,065	64,439	6,940	339,444

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
2024	$ 1,985	9,628	(81)	11,532
2025	2,065	9,544	(80)	11,528
2026	2,150	9,456	(79)	11,527
2027	2,245	9,365	(79)	11,532
2028	6,675	9,270	(78)	15,867
2029 - 2033	91,315	37,527	(306)	128,536
2034 - 2038	98,905	17,303	(129)	116,079
2039	21,675	922	(7)	22,590
	$ 227,015	103,015	(839)	329,191

NOTE 10 - SPECIAL ASSESSMENT DEBT AND RELATED ACTIVITIES

At June 30, 2023, special assessment improvement bonds outstanding for all assessment districts totaled $195,523. 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 other custodial 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, 2023, $6,975 of authorized bonds remains unissued. The outstanding balance at June 30, 2023 was $2,120.

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 percent percent to 6.25 percent. 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, 2023. At June 30, 2023, $57,235 of authorized bonds remain unissued. The outstanding balance at June 30, 2023 for the Series 2017 bonds was $26,745.

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. On September 15, 2022, the District issued $121,710 of Series 2022 Special Tax Bonds with an interest rate of 5.00 percent. Bond proceeds were used to refund the outstanding 2004A Bonds and 2007B Bonds, pay (or reimburse the County for) the costs of acquiring and constructing certain public facilities, fund a deposit to the Bond Reserve fund, and pay costs of issuance of the 2022 Bonds. The 2022 Special Tax Bonds constitute the entire bonded indebtedness. The outstanding balance as of June 30, 2023 for the 2022 Special Tax Bonds was $121,710.

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, 2016, the District issued $23,155 of Special Tax Bonds 2016 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 2016 Special Tax Bonds constitute the entire bonded indebtedness. As of June 30, 2023, $6,845 of authorized bonds remains unissued. The outstanding balance as of June 30, 2023, for the 2016 Special Tax Bonds was $20,740.

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, 2016, the District issued $14,225 of Special Tax Bonds with interest rates ranging from 2.00 percent to 5.00 percent. On June 30, 2021, the District issued $3,895 of Special Tax Bonds with a interest rate of 4.00 percent to provide funds to pay cost of acquisition and construction, deposit to a Bond Reserve fund, and pay certain cost of issuing. The Series 2016 and the Series 2021 Bonds, constitute the entire bonded indebtedness of the District. As of June 30, 2023, $31,880 of authorized bonds remains unissued. The outstanding balance as of June 30, 2023 for the 2016 Special Tax Bonds was $13,580 and for the 2021 Special Tax Bonds was $3,825.

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, 2023, $78 of authorized bonds remains unissued. The outstanding balance as of June 30, 2023 was $383.

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, 2023, $8,390 of authorized bonds remains unissued. The outstanding balance as of June 30, 2023 was $6,420.

NOTE 11 - PLEDGED REVENUES

The County has pledged a portion of delinquent property tax revenues to repay $22,273 in Teeter notes in accordance with the alternative method of distribution of property tax levies and assessments. The notes were issued on December 4, 2018, November 19, 2019, January 12, 2021, November 16, 2021 and December 6, 2022. 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 $22,273 and interest of $2,478 remain on the notes and are payable through August 1, 2027. For the current year, net revenues pledged were equal to the total principal and interest paid of $23,294 and $372, 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 the Department of Airports through fiscal year 2041. The total principal and interest remaining to be paid on senior bonds is $821,212. Principal and interest paid in the current fiscal year was $25,746 and the total net revenues were $99,160. 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 $323,521. Principal and interest paid for the current year was $16,560 and the Passenger Facility Charges (PFC) cash generated in FY 2022-23 was $25,144. 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 $472,953. Principal and interest paid in the current fiscal year was $22,093 and the total net revenues were $70,173. 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 had approximately $43,881 in outstanding construction contract commitments at June 30, 2023.

Airports Enterprise Fund – The Airports had approximately $27,002 in outstanding construction contract commitments at June 30, 2023.

Solid Waste Enterprise Fund – Solid Waste had approximately $69,848 in outstanding construction contract commitments at June 30, 2023.

Water Agency Enterprise Fund – The Water Agency had approximately $50,169 outstanding construction contract commitments at June 30, 2023.

Nonmajor Enterprise Funds - The nonmajor enterprise funds had $2,889 in outstanding construction contract commitments at June 30, 2023.

NOTE 13 - CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations that place specific requirements on the Solid Waste Fund (Fund) regarding closure and postclosure maintenance and monitoring for the 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 Funds 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, 2023, were $17,398. The Fund will recognize costs of $35,982 as the remaining cost in the Kiefer Landfill is used in future years. At June 30, 2023 the capacity of the Kiefer Landfill used to date was 33 percent and the estimated remaining landfill life is 51 years. As required by applicable laws, management has established a fund for the postclosure Kiefer Landfill, in which $10,956 is considered restricted at June 30, 2023. 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 requiring a fund to demonstrate financial responsibility because these sites were not operated after January 1, 1988.

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 Solid Waste revenues to provide financial assurance for the postclosure maintenance costs of the Elk Grove and Grand Island Landfills.

The Elk Grove Landfill postclosure care liabilities were fully paid as of June 30, 2023, with all future maintenance costs expensed in the period incurred.

The Fund reported Grand Island Landfill postclosure care liabilities at June 30, 2023, of $161. The landfill is 100 percent full and the postclosure 30-year liability period runs through June 2029. At June 30, 2023, the reported liabilities represent postclosure costs for the remaining 6 years. The portion of the postclosure costs expected to be paid during the next year is $32.

Future closure and postclosure costs are based on what it would cost to perform all closure and postclosure care in 2023. Actual costs may be different due to inflation, changes in technology, changes in permitted capacity and/or changes in regulations.

(amounts expressed in thousands)

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 June 30, 2023, is estimated to be $23,968.

Changes in accrued landfill closure and postclosure care liability for the fiscal year ended June 30, 2023 were as follows:

	July 1, 2022 Beginning	Expense/change in estimate	Payments	June 30, 2023 Ending	Due within One Year
Kiefer	$ 19,124	(1,726)		17,398	
Elk Grove	259		(259)		
Grand Island	181	12	(32)	161	32
Kiefer Final Cover	27,376	948	(4,356)	23,968	4,681
	$ 46,940	(766)	(4,647)	41,527	4,713

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. SCERS also provides retirement benefits to the employee members of the Superior Court of California (County of Sacramento), Sacramento Employment and Training Agency and eight 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 County 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 Retirement Board serve terms of three years except for the County Director of Finance whose term runs concurrent with the term as Director of Finance.

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 districts 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 provisions of California Government Code Section 31664.2. The monthly allowance is equal to 2 percent of the first $350 dollars 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 dollars 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. For members with membership dates on or after January 1, 2013, the maximum monthly retirement allowance is 100 percent of final PEPRA compensation, not to exceed the PEPRA Compensation limit.

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 percent 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-Hayward 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's 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.

All members are required to make contributions to SCERS regardless of the retirement plan or tier in which they are included.

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 PEPRA.

(amounts expressed in thousands)

Employee and employer contribution rates for the fiscal year ended June 30, 2023, from the June 30, 2021 actuarial valuation, are as follows:

	County - Miscellaneous Cost Pool - Contribution Rates					Recreation and Park Districts - Miscellaneous Cost Pool - Contribution Rates		
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 1	Tier 3	Tier 5
Employee	11.57%	8.44%	11.33%	10.97%	10.02%	0.00%	6.00%	10.02%
Employer	25.37%	21.70%	24.83%	24.48%	23.43%	0.00%	38.07%	31.54%

	County - Safety Cost Pool - Contribution Rates			
	Tier 1	Tier 2	Tier 3	Tier 4
Employee	24.77%	21.14%	19.99%	15.05%
Employer	72.96%	58.70%	57.47%	52.37%

For the fiscal year ended June 30, 2023, the employer contributions to SCERS 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	$ 163,880	13,607	177,487	366
County - Safety Tier	138,136	1,777	139,913	
Carmichael Recreation and Park District - Miscellaneous	487		487	
Mission Oaks Recreation and Park District - Miscellaneous	472		472	
Sunrise Recreation and Park District - Miscellaneous	1,204		1,204	
Total employer contributions	$ 304,179	15,384	319,563	366

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, the County 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	$ 690,547	55,784	746,331	1,576
County - Safety Tier	801,836	9,668	811,504	
Carmichael Recreation and Park District - Miscellaneous	2,062		2,062	
Mission Oaks Recreation and Park District - Miscellaneous	2,024		2,024	
Sunrise Recreation and Park District - Miscellaneous	4,325		4,325	
Total Net Pension Liability	$ 1,500,794	65,452	1,566,246	1,576

(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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. 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, 2022 that made contributions in FY 2022-23; 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, 2022, 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, 2021 and 2022, was as follows:

	County	Carmichael	Mission Oaks	Sunrise	Component Unit-First 5 Commission
Proportion - June 30, 2021	95.587 %	0.047 %	0.040 %	0.089 %	0.034 %
Proportion - June 30, 2022	89.089 %	0.118 %	0.116 %	0.247 %	0.090 %
Change - Increase (Decrease)	(6.498)%	0.071 %	0.076 %	0.158 %	0.056 %

For the fiscal year ended June 30, 2023, the County and the First 5 Commission recognized pension expense of $117,571 and $55, respectively. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources							
	Governmental Activities							
	County	Carmichael	Mission Oaks	Sunrise	Total	Business-type Activities	Total Primary Government	Component Unit First 5 Commission
Differences between actual and expected experience	$ 130,392	174	171	365	131,102	5,583	136,685	133
Net difference between projected and actual earnings on plan investments	22,201	13	13	28	22,255	576	22,831	10
Changes in assumptions	62,601	155	153	326	63,235	4,332	67,567	119
Changes in proportions	18,446	4	202	321	18,973	2,924	21,897	80
Pension contributions made subsequent to measurement date	302,016	487	472	1,204	304,179	15,384	319,563	366
Total deferred outflows related to pensions	$ 535,656	833	1,011	2,244	539,744	28,799	568,543	708

(amounts expressed in thousands)

	Deferred Inflows of Resources							
	Governmental Activities							
	County	Carmichael	Mission Oaks	Sunrise	Total	Business-type Activities	Total Primary Government	Component Unit First Five Commission
Changes in assumptions	$ 156,764	$ 271	$ 266	$ 568	$ 157,869	$ 8,122	$ 165,991	$ 207
Changes in proportions	10,118	204	346	844	11,512	281	11,793	21
Total deferred inflows related to pensions	$ 166,882	475	612	1,412	169,381	8,403	177,784	228

The $319,563 and $366 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 ending June 30, 2024. 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
2024	$ 19,188	(34)	(20)	(100)	19,034	31
2025	19,188	(34)	(20)	(100)	19,034	31
2026	19,188	(34)	(20)	(100)	19,034	31
2027	14,206	(27)	(13)	(72)	14,094	21
	$ 71,770	(129)	(73)	(372)	71,196	114

(amounts expressed in thousands)

Actuarial Assumptions - The total pension liability in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

	County and Special District Miscellaneous	Safety
Valuation Date	June 30, 2022	June 30, 2022
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:		
Discount Rate	6.75%	6.75%
Inflation	2.75%	2.75%
Real across-the-board salary increase	0.25%	0.25%
Projected Salary Increase*	4.25% to 10.5%	4.25% to 10.50%
Assumed post-retirement benefit increase	0% to 2.75%	2% to 2.75%
Post-Retirement Mortality		
a) Service	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (Separate tables for males and females) with rates increased by 10%, projected generationally with the two-dimensional mortality improvement scale MP-2019	Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (Separate tables for males and females) with rates decreased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019
b) Disabled	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (Separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019	Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (Separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019
c) Member Contributions	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10%, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 40% male and 60% female	Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates decreased by 5% for males, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 75% male and 25% female
Pre-Retirement Mortality	Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019	Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019

*Includes inflation at 2.75 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 6.75 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 costs 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 inflation) are developed for each major asset class. These returns 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 and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2022 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	18.0 %	5.4 %
U.S. Small Cap Equity	2.0 %	6.2 %
International Developed Equity	16.0 %	6.5 %
Emerging Markets Equity	4.0 %	8.8 %
Core/core plus bonds	10.0 %	1.1 %
High Yield Bonds	1.0 %	3.4 %
Global Bonds	3.0 %	
Bank Loans	1.0 %	3.9 %
U.S. Treasury	5.0 %	0.3 %
Real assets	7.0 %	8.1 %
Liquid Real Return	2.0 %	4.5 %
Real Estate	5.0 %	4.6 %
Value Added Real Estate	2.0 %	8.1 %
Diversifying absolute return	7.0 %	2.4 %
Growth oriented absolute return	3.0 %	2.4 %
Private Credit	4.0 %	5.6 %
Private Equity	9.0 %	9.4 %
Cash	1.0 %	
Total Portfolio	**100.0 %**	

(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 the 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 (5.75%)	$3,206,003	4,243	4,164	8,901	3,223,311	3,243
Current Discount Rate (6.75%)	1,557,835	2,062	2,024	4,325	1,566,246	1,576
1% increase (7.75%)	208,630	276	271	579	209,756	211

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.

For the measurement date of June 30, 2023, the County is expecting a modest increase in its NPL due to the expected unfavorable investment returns.

Defined Contribution Plans

The County also provides a defined contribution retirement benefit through the County's 401(a) Plan (the 401(a) Plan). The County is the Plan Administrator and the 401(a) Plan assets are held with an external trustee - Fidelity. The 401(a) Plan is offered to Eligible Employees (management union 032 employees only) that contribute at least 1% of their gross pay into the 457(b) Plan to receive the 3 percent County match in the 401(a) Plan. Investment decisions are made by the 401(a) Plan participants based on a variety of investment options under the plan. For the fiscal year ended June 30, 2023, the County contributed $5,984 to the 401(a) Plan with an outstanding liability of $253 at June 30, 2023.

The County also provides a defined contribution retirement benefit through the County's 457(b) Plan (the 457(b) Plan) for temporary employees only. The County is the Plan Administrator and the 457(b) Plan assets are held with an external trustee - Fidelity. The 457(b) Plan requires all temporary employees to contribute 7.5% of their gross pay into the 457(b) Plan, while the County provides an equal match of 7.5 percent, making the total contribution to the 457(b) Plan 15 percent. Investment decisions are made by the 457(b) Plan participants based on a variety of investment options under the Plan. For the fiscal year ended June 30, 2023, the County contributed $745 to the 457(b) Plan with an outstanding liability of $29 at June 30, 2023.

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), administered by the County, which does not issue a publicly available report. In September 2021 and 2022, respectively, the Board approved the Retiree Medical and Dental Insurance Program Administrative Policy for calendar years 2022 and 2023, 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, 2027. Subsidy/offset payments are not a vested benefit of County employment or SCERS membership and will remain in place until eliminated through the collective 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 below:

(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 provided in FY 2022-23 totaled $6,374 for the County and $5 for the First 5 Commission.

At June 30, 2022, the most recent measurement date, the following current and former employees (actual counts) were covered by the benefit terms under the HC Plan:

Active employees	11,386
Inactive employees receiving benefits	6,215
Inactive employees entitled to but not yet receiving	7,893
Total	25,494

OPEB Liability:
The County's total OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021. Updated procedures were used to roll forward the the total OPEB liability from the valuation date to the measurement date. A summary of principal assumptions and methods used to determine the total OPEB liability is on the following pages.

(amounts expressed in thousands)

Actuarial Assumptions - The total OPEB liability in the June 30, 2021 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, 2022 Measurement Date
Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.54% using the Bond Buyer 20-Bond GO Index
Inflation	2.5% annually
Mortality Rate	Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2019
Medical Trend	Non-medicare 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076

Changes in the total OPEB liability for the HC Plan measured as of June 30, 2022 are as follows:

	Governmental Activities							
	County	Carmichael	Mission Oaks	Sunrise	Total	Business-Type Activities	Total Primary Government	Component Unit First 5 Commission
Balance at June 30, 2022	$ 139,652	97	100	139	139,988	7,218	147,206	122
Changes recognized for the measurement period								
Service cost	9,273	10	10	27	9,320	560	9,880	8
Interest on the total OPEB liability	3,156	2	2	4	3,164	168	3,332	3
Changes of assumptions	(17,670)	(15)	(9)	(13)	(17,707)	(757)	(18,464)	(11)
Changes in proportion	(38)				(38)	204	166	(12)
Benefit payments	(5,548)	(10)	(6)	(6)	(5,570)	(313)	(5,883)	(5)
Net changes	(10,827)	(13)	(3)	12	(10,831)	(138)	(10,969)	(17)
Balance at June 30, 2023	$ 128,825	84	97	151	129,157	7,080	136,237	105

(amounts expressed in thousands)

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the County and First 5 Commission 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, 2022:

Total OPEB Liability	County	Carmichael	Mission Oaks	Sunrise	Total	Component Unit-First 5 Commission
1% decrease (2.54%)	$ 148,916	90	104	161	149,271	113
Current discount rate (3.54%)	135,905	84	97	151	136,237	105
1% increase (4.54%)	124,438	100	91	143	124,772	98

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 and First 5 Commission, 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 (5.5% decreasing to 2.75% in 2076)	$ 124,338	80	87	134	124,639	94
Current rate (6.5% decreasing to 3.75% in 2076)	135,905	84	97	151	136,237	105
1% increase (7.5% decreasing to 4.75% in 2076)	149,418	104	109	172	149,803	118

(amounts expressed in thousands)

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB:
For the fiscal year ended June 30, 2023, the County and the First 5 Commission recognized OPEB expense of $529 and $3, respectively. As of June 30, 2023, 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 Primary Government	Component Unit-First 5 Commission
Difference between expected and actual experience	$ 740				740		740	
Changes of assumptions	10,750	5	6	8	10,769	480	11,249	8
Changes in proportion	4,042				4,042	410	4,452	
Benefits provided subsequent to the measurement date	6,003	3	8	9	6,023	351	6,374	5
Total	$ 21,535	8	14	17	21,574	1,241	22,815	13

Deferred Inflows of Resources

	Governmental Activities							
	County	Carmichael	Mission Oaks	Sunrise	Total	Business-type Activities	Total Primary Government	Component Unit-First 5 Commission
Difference between expected and actual experience	$ 21,219	24	15	65	21,323	1,503	22,826	23
Changes of assumptions	41,505	38	20	43	41,606	2,402	44,008	35
Changes in proportion	4,016				4,016	142	4,158	15
Total	$ 66,740	62	35	108	66,945	4,047	70,992	73

(amounts expressed in thousands)

The $6,374 and $5 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 ending June 30, 2024. 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 Ending June 30	County	Carmichael	Mission Oaks	Sunrise	Total	Component Unit First 5 Commission
2024	$ (12,650)	(12)	(7)	(19)	(12,688)	(14)
2025	(12,650)	(12)	(7)	(19)	(12,688)	(14)
2026	(12,650)	(12)	(7)	(19)	(12,688)	(14)
2027	(12,650)	(11)	(4)	(19)	(12,684)	(14)
2028	(12,650)	(5)	(1)	(10)	(12,666)	(12)
2029- 2030	8,885	(5)	(3)	(14)	8,863	3
Total	$ (54,365)	(57)	(29)	(100)	(54,551)	(65)

Defined Contribution Plans

The County also provides a defined contribution other postemployment benefit through the County Retiree Heath Plan (RHP). The RHP is administered by a County delegate and assets are held by a trustee - Misson Square. The Retiree Health Plan (RHP) was established to reimburse eligible participants, their spouses and dependents for eligible medical and dental expenses. The County contributes $25 for 24 of the 26 pay periods to all eligible active employees. The investment decisions are made by the RHP participants based on a variety of investment options under the RHP. For the fiscal year ended June 30, 2023, the County contributed $5,423 to the RHP with an outstanding liability of $212 at June 30, 2023.

(amounts expressed in thousands)

NOTE 16 - SELF-INSURANCE

The County self-insures for general liability/property, workers' compensation, dental, 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 recognize 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 determined 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 years, no instances or settlement exceeded isurance coverage. However, in October 2023 there were two instances of settlements payments that exceeded insurance coverage. Both of these instances have been accrued and recognized in these financial statements.

Reconciliation of Claims Liabilities

	Liability/Property		Workers' Compensation		Other		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Unpaid claims and claim adjustment expenses at beginning of the fiscal year								
Current portion	$ 16,018	14,311	28,379	29,660	688	949	45,085	44,920
Noncurrent	43,746	36,321	175,457	176,342			219,203	212,663
Total beginning balance, July 1	59,764	50,632	203,836	206,002	688	949	264,288	257,583
Incurred claims and claim adjustment expenses:								
Provision for insured events for current year	13,647	13,910	24,171	26,692	15,762	16,107	53,580	56,709
Increase (decrease) in provision for insured events of prior fiscal years	23,132	22,767	4,453	(2,643)			27,585	20,124
Total incurred claims and claim adjustment expenses	36,779	36,677	28,624	24,049	15,762	16,107	81,165	76,833
Less Payments:								
Claims and claim adjustment expenses attributable to insured events of current fiscal year	515	402	2,552	3,633	15,321	15,419	18,388	19,454
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	33,308	27,143	25,745	22,582	688	949	59,741	50,674
Total payments	33,823	27,545	28,297	26,215	16,009	16,368	78,129	70,128
Total unpaid claims and claim adjustment expenses at end of the fiscal year, June 30	$ 62,720	59,764	204,163	203,836	441	688	267,324	264,288
Current portion of unpaid claims and claim adjustments	$ 16,971	16,018	27,598	28,379	441	688	45,010	45,085
Noncurrent portion of unpaid claims and claim adjustments	45,749	43,746	176,565	175,457			222,314	219,203
Total current and noncurrent unpaid and claim adjustment expenses at end of the fiscal year	$ 62,720	59,764	204,163	203,836	441	688	267,324	264,288

(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	900,000	*	25 (100 max if in Zone A)	Each occurrence
Earthquake (EQ)	25,000	*	2 percent / 100 minimum	Per building / Each occurrence
Sheriff Vehicle Physical Damage	13,000		15	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	50,000		None	Not applicable
Hull (Physical Damage)	7,022		None	Not applicable
Cyber Liability	12,000		250	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 covered for Terrorism Coverage subject to a $750 million occurrence and annual aggregate limit. Effective March 31, 2008, Earth Quake (EQ) capped at $25 million. Effective March 31, 2021, 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, 2021, Flood total is at $900 million (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, Employer's Liability (Excess) is at $5 million.

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.

Net position restricted by enabling legislation are comprised of $51,935 (FAA approved passenger facility charges), $23,511 (Customer Facility Charges) and $5,482 (lighting and landscape maintenance) in the Statement of Net Position at June 30, 2023.

Restricted Net Position includes:

- *Bond reserves* - funds that are restricted due to being held to meet bond reserve requirements for the Airport.
- *Landfill closure* - resources legally restricted to finance postclosure 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) Transportation Systems at the Airport.
- *General government* - 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.
- *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 program.

- *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.
    - *Environmental management* - provide mandated regulatory services that protect public health and the environment and funded through user fees, revenue from contracts, and other outside revenue sources.
    - *Tobacco* - proceeds from the tobacco litigation settlement to be used for the operation of health, youth, and tobacco prevention programs.
    - *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.

- *Other* - includes programs related to recreation and culture, and education.

- *Endowments* - donor restricted funds 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, assigned, and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances as of June 30, 2023 is as follows:

	Major	Nonmajor Governmental Funds			
	General Fund	Special Revenue	Debt Service	Capital Projects	Total
Nonspendable:					
Inventories	$ 2,826				2,826
Long-term receivables	2,089				2,089
Prepaid items	39,175				39,175
Teeter Plan delinquencies	596				596
Teeter Plan tax loss	6,135				6,135
Total nonspendable	50,821				50,821
Restricted for:					
General government:					
Stormwater utility		22,154			22,154
Public protection:					
Law Enforcement	64,240	16,381			80,621
Clerk Recorder	24,359				24,359
Community Development		72			72
Protection and Inspection	59,542	20,180			79,722
Fire Protection		65			65
Health and sanitation:					
Mental Health Services	67,425				67,425
Realignment	53,335				53,335
Solid Waste Authority		7,107			7,107
Tobacco Securitization Authority		534			534
Water Agencies		46,886			46,886
In-Home Support Services		982			982
Environmental management		11,714			11,714
Public assistance	101,510				101,510
Public ways and facilities		191,284		9,569	200,853
Recreation and culture		22,230			22,230
Education		114			114
Capital projects		6		204,879	204,885
Economic development		47,659			47,659
Lighting and landscape		5,482			5,482
Debt service	54		55,760		55,814
Total restricted	370,465	392,850	55,760	214,448	1,033,523
Assigned for:					
Technology upgrades	31,317				31,317
Projected budgetary deficit	145,465				145,465
Audit payback	50,000				50,000
Other purposes	10,100				10,100
Total assigned	236,882				236,882
Unassigned	109,371				109,371
Total	$ 767,539	392,850	55,760	214,448	1,430,597

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 timely appealed to the U.S. Court of Appeals for the Ninth Circuit and the two appeals have been consolidated. Oral argument occurred on January 24, 2020. On August 19, 2020, the Ninth Circuit issued its decision, which completely eliminated the amount awarded against the County. The panel concluded that the awards to both the Hardestys and the Schneiders are excessive and remanded the case to the district court for further proceedings. The Ninth Circuit, however, affirmed the jury's liability findings against the County. The County sought a re-hearing en banc with the Ninth Circuit seeking to reverse the finding of liability against the County, which the court rejected. The County filed a petition for writ of Certiorari with the United States Supreme Court, which was also denied. The case was remanded back to the eastern District for further proceedings consistent with the Ninth Circuit's decision. A new trial on the appropriate amount of damages was scheduled for October 10, 2023. However, the County reached a settlement in October, 2023, for the amount of $20 million and $58.5 million with the Schneider plaintiffs and the Hardesty plaintiffs, respectively, in which the liability and expenditures/expenses have been accrued and recognized in the financial statements.

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 continued 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 consent decree was approved in January 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.

Bay Cities Paving and Grading, Inc. v. County of Sacramento
On November 24, 2020, Bay Cities Paving and Grading, Inc. (BCPG) filed a claim against the County relating to additional construction costs for widening a portion of Hazel Avenue. The County rejected this claim on January 4, 2021, which lead to a lawsuit being filed by BCPG on April 26, 2021.

BCPG argues that they incurred additional cost as a result of the County's project plans and specifications which did not reflect the actual site conditions and additional items related to the installation of a water line for the Fair Oaks Water District were required. On May 24, 2023 the parties attended private mediation, which was not immediately successful. Following futher discussion and negotiation, the parties reached a conditional settlement of $1.1 million, which was approved by the Board on July 11, 2023. Thereafter, this case was dismissed with prejudice on August 2, 2023.

Leonardo Galdamez, et al. v. County of Sacramento et al.
On October 2021, the County received correspondence from the law firm Kuzyk Law LLP on behalf of Leonardo and Samantha Galdamez demanding the County refund the Sacramento County Transportation Development Fee (SCDTF). Following the receipt of the demand letter, the County entered into a tolling agreement due to one-year statute of limitations, this allowed sufficient time for the County to analyze the claim. That tolling agreement expired on June 2, 2021.

On May 27, 2022, the Galdamez filed suit against the County reiterating their argument from the demand letter seeking a refund of the SCDTF.

At this time, a trial date has not been set. Should the County decide to purse settlement discussions, a settlement agreement amount may be recommended following completion of discovery.

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 fair 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 fair 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 fair value, their factored base year value, or their restricted income value. No other commitments were made by the County as part of those agreements.

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 of their land. The Assessor's Office does not create urban agriculture incentive zones or implement 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 2022-23
Land Conservation Act (Williamson Act)	$ 1,053
Mills Act	25

NOTE 21 - FUTURE GASB PRONOUNCEMENTS

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*, effective for fiscal years beginning after June 15, 2023 for requirements relating to financial guarantees and reporting of derivative instruments which are paragraphs 4 through 10. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation of certain GASB Statements. The County has not determined the effect, if any, on the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, effective for fiscal years beginning after June 15, 2023. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The County has not determined the effect, if any, on the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The County has not determined the effect, if any, on the financial statements.

NOTE 22 - 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 which 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 RDA'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 a “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, 2023, the RASA owes the Sacramento County Public Financing Authority $51,629, with payments made semi-annually on June and December first of each fiscal year.

NOTE 23 - SUBSEQUENT EVENTS

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 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 2023-24 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 $2.303 billion in estimated revenues approved in the County's FY 2023-24 Preliminary Budget. The County's final FY 2023-24 Budget was approved in September 2023 and the dry period financing amount was adjusted to reflect the final General Fund estimated revenues of $2.330 billion. In addition, on a monthly basis, as revenue is received the dry period financing amount is decreased accordingly.

Lawsuit Settlements

Schneider/Hardesty et al. v. County of Sacramento

On October 3, 2023, the County Board of Supervisors approved a settlement agreement with the Schneider and Hardesty families over the vested right to mine on 3600 acres of ranchland owned by the Schneider family. See Note 19 - CONTINGENCIES which begins on page 140 for more information.

Bay Cities Paving and Grading, Inc. v. County of Sacramento

On July 11, 2023, the Board approved a settlement agreement with BCPG over construction related work performed for the widening of the County's Hazel Avenue Phase 2. See Note 19 - CONTINGENCIES which begins on page 140 for more information.

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	2023	2022	2021[D]	2020	2019
Proportion of the net pension liability	89.089 %	95.587 %	87.480 %	88.319 %	87.788 %
Proportionate share of the net pension liability	$ 1,557,835	$ 402,784	$ 2,374,448	$ 1,831,576	$ 1,721,818
Covered-employee payroll[B]	$ 931,320	$ 916,618	$ 908,171	$ 874,552	$ 843,336
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	167.27 %	43.94 %	261.45 %	209.43 %	204.17 %
Plan fiduciary net position as a percentage of the total pension liability	87.12 %	96.76 %	78.62 %	82.57 %	82.51 %
Carmichael					
Proportion of the net pension liability	0.118 %	0.047 %	0.140 %	0.135 %	0.139 %
Proportionate share of the net pension liability	$ 2,062	$ 199	$ 3,790	$ 2,807	$ 2,718
Covered-employee payroll[B]	$ 1,228	$ 1,156	$ 1,250	$ 1,239	$ 1,143
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	167.84 %	17.21 %	303.20 %	226.55 %	237.81 %
Plan fiduciary net position as a percentage of the total pension liability	87.12 %	96.76 %	78.62 %	82.57 %	82.51 %
Mission Oaks					
Proportion of the net pension liability	0.116 %	0.040 %	0.131 %	0.127 %	0.147 %
Proportionate share of the net pension liability	$ 2,024	$ 170	$ 3,560	$ 2,635	$ 2,893
Covered-employee payroll[B]	$ 1,219	$ 974	$ 1,120	$ 1,101	$ 1,148
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.96 %	17.45 %	317.86 %	239.33 %	252.07 %
Plan fiduciary net position as a percentage of the total pension liability	87.12 %	96.76 %	78.62 %	82.57 %	82.51 %
Sunrise					
Proportion of the net pension liability	0.247 %	0.089 %	0.294 %	0.305 %	0.307 %
Proportionate share of the net pension liability	$ 4,325	$ 377	$ 7,982	$ 6,315	$ 6,015
Covered-employee payroll[B]	$ 2,690	$ 2,299	$ 2,754	$ 2,839	$ 2,558
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	160.82 %	16.39 %	289.83 %	222.44 %	235.12 %
Plan fiduciary net position as a percentage of the total pension liability	87.12 %	96.76 %	78.62 %	82.57 %	82.51 %
Component Unit First 5 Commission					
Proportion of the net pension liability	0.090 %	0.034 %	0.093 %	0.083 %	0.093 %
Proportionate share of the net pension liability	$ 1,576	$ 145	$ 2,532	$ 1,725	$ 1,821
Covered-employee payroll[B]	$ 1,427	$ 1,375	$ 1,352	$ 1,245	$ 1,316
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	110.39 %	10.54 %	187.28 %	138.55 %	138.38 %
Plan fiduciary net position as a percentage of the total pension liability	87.12 %	96.76 %	78.62 %	82.57 %	82.51 %
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018

(amounts expressed in thousands)

County	2018[C]	2017	2016	2015[A]
Proportion of the net pension liability	86.316 %	86.792 %	89.005 %	89.000 %
Proportionate share of the net pension liability	$ 1,838,027	$ 1,538,375	$1,023,390	$ 692,793
Covered-employee payroll[B]	$ 816,112	$ 780,978	$ 745,978	$ 731,874
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	223.50 %	196.98 %	137.19 %	94.00 %
Plan fiduciary net position as a percentage of the total pension liability	80.37 %	81.40 %	87.26 %	91.00 %
Carmichael				
Proportion of the net pension liability	0.128 %	0.140 %	0.119 %	0.102 %
Proportionate share of the net pension liability	$ 2,687	$ 2,457	$ 1,373	$ 787
Covered-employee payroll[B]	$ 1,178	$ 1,138	$ 1,096	$ 1,040
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	258.59 %	215.94 %	125.27 %	75.67 %
Plan fiduciary net position as a percentage of the total pension liability	80.37 %	81.40 %	87.26 %	91.02 %
Mission Oaks				
Proportion of the net pension liability	0.154 %	0.100 %	0.095 %	0.083 %
Proportionate share of the net pension liability	$ 3,224	$ 1,752	$ 1,090	$ 643
Covered-employee payroll[B]	$ 1,037	$ 782	$ 851	$ 826
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	28.90 %	224.02 %	77.86 %	95.79 %
Plan fiduciary net position as a percentage of the total pension liability	80.37 %	81.40 %	87.26 %	91.02 %
Sunrise				
Proportion of the net pension liability	0.278 %	0.189 %	0.169 %	0.142 %
Proportionate share of the net pension liability	$ 5,833	$ 3,321	$ 1,939	$ 1,046
Covered-employee payroll[B]	$ 1,911	$ 1,495	$ 1,521	$ 1,092
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	256.04 %	222.17 %	127.48 %	95.79 %
Plan fiduciary net position as a percentage of the total pension liability	80.37 %	81.40 %	87.26 %	91.02 %
Component Unit First 5 Commission				
Proportion of the net pension liability	0.115 %	0.114 %	0.099	0.10
Proportionate share of the net pension liability	$ 2,226	1,846	1,059	693
Covered-employee payroll[B]	$ 1,423	1,313	1,177	1,262
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.40 %	140.59 %	89.97 %	54.92 %
Plan fiduciary net position as a percentage of the total pension liability	80.37 %	81.40 %	87.26 %	91.02 %
Measurement Date	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%.
D) In FY 2020-21, there was a reduction in the discount rate from 7.0% to 6.75%.

(amounts expressed in thousands)

Retirement Plan - Schedule of Contributions

County	2023	2022	2021	2020	2019
Contractually required contribution	$ 317,400	$ 285,039	$ 264,487	$ 238,546	$ 209,613
Contributions in relation to the contractually required contribution	$ (317,400)	$ (285,039)	$ (264,487)	$ (238,546)	$ (209,613)
Covered-employee payroll[B]	$ 935,827	$ 931,320	$ 916,618	$ 908,171	$ 874,552
Contributions as a percentage of covered-employee payroll	33.92 %	30.61 %	28.85 %	26.27 %	23.97 %
Carmichael					
Contractually required contribution	$ 487	$ 430	$ 390	$ 396	$ 360
Contributions in relation to the contractually required contribution	$ (487)	$ (430)	$ (390)	$ (396)	$ (360)
Covered-employee payroll[B]	$ 1,360	$ 1,228	$ 1,156	$ 1,250	$ 1,239
Contributions as a percentage of covered-employee payroll	35.81 %	35.02 %	33.74 %	31.68 %	29.06 %
Mission Oaks					
Contractually required contribution	$ 472	$ 421	$ 333	$ 372	$ 338
Contributions in relation to the contractually required contribution	$ (472)	$ (421)	$ (333)	$ (372)	$ (338)
Covered-employee payroll[B]	$ 1,329	$ 1,219	$ 974	$ 1,120	$ 1,101
Contributions as a percentage of covered-employee payroll	35.52 %	34.54 %	34.19 %	33.21 %	30.70 %
Sunrise					
Contractually required contribution	$ 1,204	$ 902	$ 740	$ 834	$ 810
Contributions in relation to the contractually required contribution	$ (1,204)	$ (902)	$ (740)	$ (834)	$ (810)
Covered-employee payroll[B]	$ 3,587	$ 2,690	$ 2,299	$ 2,754	$ 2,839
Contributions as a percentage of covered-employee payroll	33.57 %	33.53 %	32.19 %	30.28 %	28.53 %
Component Unit First 5 Commission					
Contractually required contribution	$ 366	$ 330	$ 294	$ 264	$ 222
Contributions in relation to the contractually required contribution	$ (366)	$ (330)	$ (294)	$ (264)	$ (222)
Covered-employee payroll[B]	$ 1,396	$ 1,427	$ 1,375	$ 1,352	$ 1,245
Contributions as a percentage of covered-employee payroll	26.22 %	23.13 %	21.38 %	19.53 %	17.83 %

(amounts expressed in thousands)

Retirement Plan - Schedule of Contributions

County		2018		2017		2016		2015[A]
Contractually required contribution	$	172,257	$	174,767	$	180,678	$	191,907
Contributions in relation to the contractually required contribution	$	(172,257)	$	(174,767)	$	(180,678)	$	(191,907)
Covered-employee payroll[B]	$	843,336	$	816,112	$	780,978	$	745,978
Contributions as a percentage of covered-employee payroll		20.43 %		21.41 %		23.13 %		25.73 %
Carmichael								
Contractually required contribution	$	296	$	274	$	309	$	325
Contributions in relation to the contractually required contribution	$	(296)	$	(274)	$	(309)	$	(325)
Covered-employee payroll[B]	$	1,143	$	1,178	$	1,138	$	1,096
Contributions as a percentage of covered-employee payroll		25.90 %		23.26 %		27.15 %		29.00 %
Mission Oaks								
Contractually required contribution	$	315	$	1,007	$	221	$	258
Contributions in relation to the contractually required contribution	$	(315)	$	(1,007)	$	(221)	$	(258)
Covered-employee payroll[B]	$	1,148	$	1,037	$	782	$	851
Contributions as a percentage of covered-employee payroll		27.44 %		97.11 %		28.26 %		30.00 %
Sunrise								
Contractually required contribution	$	655	$	597	$	419	$	459
Contributions in relation to the contractually required contribution	$	(655)	$	(597)	$	(419)	$	(459)
Covered-employee payroll[B]	$	2,558	$	1,911	$	1,495	$	1,521
Contributions as a percentage of covered-employee payroll		25.61 %		31.24 %		28.03 %		30.00 %
Component Unit First 5 Commission								
Contractually required contribution	$	198	$	228	$	233	$	251
Contributions in relation to the contractually required contribution	$	(198)	$	(228)	$	(233)	$	(251)
Covered-employee payroll[B]	$	1,316	$	1,423	$	1,313	$	1,177
Contributions as a percentage of covered-employee payroll		15.05 %		16.02 %		17.75 %		21.00 %

Notes to Schedule:
A) FY 2014-15 was the first year of implementation.
B) Covered payroll represents pensionable compensation for the current fiscal year.

10 year schedules of annual money-weighted rate of return on pension plan investments can found in Schedule of Annual Money-Weighted Rate of Return tables in SCERS separately issued AFCR.

(amounts expressed in thousands)

OPEB - Schedule of Changes in the Total OPEB Liability and Related Ratios

County	2023	2022	2021	2020	2019	2018[A]
Service cost	$ 9,833	12,090	9,431	11,949	12,187	12,977
Actual vs. expected experience		(25,182)		(6,957)		
Interest on the total OPEB liability	3,324	3,784	4,957	7,183	6,378	5,122
Changes in assumptions	(18,427)	132	18,062	(47,435)	(4,510)	(13,042)
Changes in proportion	166	181	(47)	104	263	
Benefit payments	(5,861)	(6,085)	(5,395)	(6,883)	(6,050)	(6,051)
Net change in total OPEB liability	(10,965)	(15,080)	27,008	(42,039)	8,268	(994)
Total OPEB liability - beginning	146,870	161,950	134,942	176,981	168,713	169,707
Total OPEB liability - ending	$ 135,905	146,870	161,950	134,942	176,981	168,713
Covered-employee payroll	$ 914,895	893,647	883,579	845,535	765,327	818,852
Total OPEB liability as a percentage of covered-employee payroll	15 %	16 %	18 %	16 %	23 %	21 %

Carmichael	2023	2022	2021	2020	2019	2018
Service cost	$ 10	11	9	10	11	12
Actual vs. expected experience		(12)		(29)		
Interest on the total OPEB liability	2	2	4	7	6	4
Changes in assumptions	(15)	(1)	8	(39)	(3)	(8)
Benefit payments	(10)	(12)	(14)	(10)	(7)	(5)
Net change in total OPEB liability	(13)	(12)	7	(61)	7	3
Total OPEB liability - beginning	97	109	102	163	156	153
Total OPEB liability - ending	$ 84	97	109	102	163	156
Covered-employee payroll	$ 993	1,009	1,017	923	1,050	1,039
Total OPEB liability as a percentage of covered-employee payroll	8 %	10 %	11 %	11 %	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,B]
(amounts expressed in thousands)

Mission Oaks	2023	2022	2021	2020	2019	2018 [A]
Service cost	$ 10	13	12	11	11	12
Actual vs. expected experience		(7)		(20)		
Interest on the total OPEB liability	2	2	3	4	4	3
Changes in assumptions	(9)	3	6	(25)	(1)	(6)
Benefit payments	(6)	(4)	(2)	(3)	(9)	(7)
Net change in total OPEB liability	(3)	7	19	(33)	5	2
Total OPEB liability - beginning	100	93	74	107	102	100
Total OPEB liability - ending	$ 97	100	93	74	107	102
Covered-employee payroll	$ 1,052	827	949	871	845	1,116
Total OPEB liability as a percentage of covered-employee payroll	9 %	12 %	10 %	8 %	13 %	9 %

Sunrise	2023	2022	2021	2020	2019	2018
Service cost	$ 27	42	36	28	28	29
Actual vs. expected experience		(58)		(42)		
Interest on the total OPEB liability	4	4	6	8	6	4
Changes in assumptions	(13)	(15)	13	(38)	(3)	(2)
Benefit payments	(6)	(6)	(2)	(8)	(3)	(7)
Net change in total OPEB liability	12	(33)	53	(52)	28	24
Total OPEB liability - beginning	139	172	119	171	143	119
Total OPEB liability - ending	$ 151	139	172	119	171	143
Covered-employee payroll	$ 1,460	1,274	1,409	1,720	1,580	2,278
Total OPEB liability as a percentage of covered-employee payroll	10 %	11 %	12 %	7 %	11 %	6 %

Component Unit First 5 Commission	2023	2022	2021	2020	2019	2018
Service cost	$ 8	13	$ 10	$ 14	$ 13	$ 15
Actual vs. expected experience		(29)		7		
Interest on the total OPEB liability	3	3	4	(7)	7	5
Changes in assumptions	(11)	-	13	(52)	(4)	(12)
Change in proportion	(12)	(3)	1	(15)	(5)	
Benefit payments	(5)	(6)	(5)	(8)	(7)	(6)
Net change in total OPEB liability	(17)	(22)	23	(61)	4	2
Total OPEB liability - beginning	122	144	121	182	178	176
Total OPEB liability - ending	$ 105	122	144	121	182	178
Covered-employee payroll	$ 911	987	998	948	933	1,284
Total OPEB liability as a percentage of covered-employee payroll	12 %	12 %	14 %	13 %	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.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023
(amounts expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Total
Assets:				
Cash and investments	$ 400,311	32,742	216,793	649,846
Receivables, net of allowance for uncollectibles:				
Billed	11,017		998	12,015
Interest	8,319	793	3,758	12,870
Intergovernmental	25,898		149	26,047
Leases	1,633			1,633
Loan receivable from County Successor Agency		51,629		51,629
Loan receivable from City Successor Agency		4,134		4,134
Long-term receivables	8,915	22,273	2,822	34,010
Long-term receivable, leases	17,040			17,040
Total assets	$ 473,133	111,571	224,520	809,224
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Warrants payable	$ 4,779		504	5,283
Accrued liabilities	29,977	48	3,174	33,199
Intergovernmental payable	10,664		2,711	13,375
Unearned revenues	2,151			2,151
Total liabilities	47,571	48	6,389	54,008
Deferred inflows of resources:				
Unavailable revenues	14,431	55,763	3,683	73,877
Deferred inflows related to leases	18,281			18,281
Total deferred inflows of resources	32,712	55,763	3,683	92,158
Fund balances:				
Restricted	392,850	55,760	214,448	663,058
Total liabilities, deferred inflows of resources and fund balances	$ 473,133	111,571	224,520	809,224

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Total
Revenues:				
Taxes	$ 61,149		7,255	68,404
Use of money and property	19,884	2,232	6,331	28,447
Licenses and permits	60,177			60,177
Intergovernmental	113,711	19,193	33,644	166,548
Charges for sales and services	171,217		43,035	214,252
Fines, forfeitures and penalties	399	11,824	1,578	13,801
Pledged tobacco settlement	15,463			15,463
Contributions from property owners			37,239	37,239
Miscellaneous	5,946	162	733	6,841
Total revenues	447,946	33,411	129,815	611,172
Expenditures:				
Current:				
General government	69,673			69,673
Public protection	98,195			98,195
Health and sanitation	40,639			40,639
Public ways and facilities	187,755		245	188,000
Recreation and culture	24,259			24,259
Education	1,166			1,166
Capital outlay	50		58,363	58,413
Debt service:				
Principal	1,711	157,709		159,420
Bond issuance costs	263	369		632
Interest and fiscal charges	322	56,477		56,799
Total expenditures	424,033	214,555	58,608	697,196
Excess (deficiency) of revenues over (under) expenditures	23,913	(181,144)	71,207	(86,024)
Other financing sources (uses):				
Transfers in	45,236	171,071	16,491	232,798
Transfers out	(26,243)	(12,732)	(295)	(39,270)
Issuance of long-term debt	10,042	23,416		33,458
Refunding debt issued		180,740		180,740
Premiums on debt issued	445			445
Payment to refunded bonds escrow agent		(180,371)		(180,371)
Total other financing sources (uses)	29,480	182,124	16,196	227,800
Changes in fund balances	53,393	980	87,403	141,776
Fund balances - beginning	339,457	54,780	127,045	521,282
Fund balances - ending	$ 392,850	55,760	214,448	663,058

ANNUAL COMPREHENSIVE 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.

Solid Waste Commercial Program - Accounts for the regulation of commercial solid waste and recycling collection by franchised haulers within the incorporated areas of the County of Sacramento based on ordinances approved by the County Board of Supervisors and funded by commercial franchise fees.

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 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 and County Service Area No. 10.

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.

Inmate Welfare - Accounts for revenues and expenditures used for the benefit, education and welfare of inmates.

SPECIAL REVENUE FUNDS

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.

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, licenses, registration, fees and penalties.

Jail Industry - Used for the operation or expansion of the jail industry program or to cover operating of county detention facilities.

Sacramento County Groundwater Sustainability Agency (SCGSA) - Fee revenues from SCGSA are used to support the JPA Groundwater Sustainability Agency's (GSA) groundwater sustainability program, administration costs, implementation of Groundwater Sustainability Plan, projects and management actions.

Other - Accounts for miscellaneous Special Revenue Funds of the County.

Fish and Game Propagation - Accounts 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 accordance 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) - Provides 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, 2023
(amounts expressed in thousands)

	Road	Solid Waste Commercial Program	County Library	Transportation Sales Tax	Building Inspection
Assets:					
Cash and investments	$ 129,113	7,041	110	7,218	21,230
Receivables, net of allowance for uncollectibles:					
Billed	1,930			33	2,598
Interest	2,581	159	3	201	516
Intergovernmental	13,182		1	6,175	2
Leases					
Long-term receivables					
Long-term receivable, leases					
Total assets	$ 146,806	7,200	114	13,627	24,346
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Warrants payable	$ 719	41		282	52
Accrued liabilities	15,022	44		1,781	2,232
Intergovernmental payable	579	8		3,947	1,410
Unearned revenues	1,069				472
Total liabilities	17,389	93		6,010	4,166
Deferred inflows of resources:					
Unavailable revenues	3,957			445	
Deferred inflows related to leases					
Total deferred inflows of resources	3,957			445	
Fund balances:					
Restricted	125,460	7,107	114	7,172	20,180
Total liabilities, deferred inflows of resources, and fund balances	$ 146,806	7,200	114	13,627	24,346

(amounts expressed in thousands)

	Fixed Asset Revolving	Lighting and Landscape Maintenance Districts	Park Districts and Park Service Areas	Water Agencies	Stormwater Utility Program
Assets:					
Cash and investments	$	4,824	24,193	46,426	20,749
Receivables, net of allowance for uncollectibles:					
Billed		29	1,488	10	2,309
Interest		94	243	1,057	410
Intergovernmental			397		22
Leases			1,464		
Long-term receivables				138	
Long-term receivable, leases			16,967		
Total assets	$	4,947	44,752	47,631	23,490
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Warrants payable	$	55	338	46	262
Accrued liabilities		113	687	550	1,025
Intergovernmental payable			1,748	11	49
Unearned revenues			610		
Total liabilities		168	3,383	607	1,336
Deferred inflows of resources:					
Unavailable revenues			1,114	138	
Deferred inflows related to leases			18,040		
Total deferred inflows of resources			19,154	138	
Fund balances:					
Restricted		4,779	22,215	46,886	22,154
Total liabilities, deferred inflows of resources, and fund balances	$	4,947	44,752	47,631	23,490

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023
(amounts expressed in thousands)

		Inmate Welfare	Economic Development	Roadways	Tobacco Securitization Authority of Northern California	Environmental Management
Assets:						
Cash and investments	$	17,759	53,437	51,838	556	11,215
Receivables, net of allowance for uncollectibles:						
Billed		623	1,201			790
Interest		396	1,172	1,114		257
Intergovernmental			90	4,902		765
Leases			169			
Long-term receivables				1,046	7,731	
Long-term receivable, leases			73			
Total assets	$	18,778	56,142	58,900	8,287	13,027
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Warrants payable	$	142	2,574			225
Accrued liabilities		615	4,940		22	982
Intergovernmental payable		1,969	728			106
Unearned revenues						
Total liabilities		2,726	8,242		22	1,313
Deferred inflows of resources:						
Unavailable revenues				1,046	7,731	
Deferred inflows related to leases			241			
Total deferred inflows of resources			241	1,046	7,731	
Fund balances:						
Restricted		16,052	47,659	57,854	534	11,714
Total liabilities, deferred inflows of resources, and fund balances	$	18,778	56,142	58,900	8,287	13,027

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023
(amounts expressed in thousands)

	Jail Industry	Sacramento County Groundwater Sustainability Agency	Other	Total
Assets:				
Cash and investments	$ 323	6	4,273	400,311
Receivables, net of allowance for uncollectibles:				
Billed	6			11,017
Interest	7		109	8,319
Intergovernmental			362	25,898
Leases				1,633
Long-term receivables				8,915
Long-term receivable, leases				17,040
Total assets	$ 336	6	4,744	473,133
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Warrants payable	$ 4		39	4,779
Accrued liabilities	3		1,961	29,977
Intergovernmental payable			109	10,664
Unearned revenues				2,151
Total liabilities	7		2,109	47,571
Deferred inflows of resources:				
Unavailable revenues				14,431
Deferred inflows related to leases				18,281
Total deferred inflows of resources				32,712
Fund balances:				
Restricted	329	6	2,635	392,850
Total liabilities, deferred inflows of resources, and fund balances	$ 336	6	4,744	473,133

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, 2023
(amounts expressed in thousands)

	Road	Solid Waste Commercial Program	County Library	Transportation Sales Tax	Building Inspection
Revenues:					
Taxes	$ 1,366			34,430	
Use of money and property	4,017	200	4	449	568
Licenses and permits	1,948	4,721			20,627
Intergovernmental	68,239		1,217	7,558	214
Charges for sales and services	60,612				57,024
Fines, forfeitures and penalties	146	156			80
Pledged tobacco settlement					
Miscellaneous	439	161		1	387
Total revenues	136,767	5,238	1,221	42,438	78,900
Expenditures:					
Current:					
General government					
Public protection					80,372
Health and sanitation		3,780			
Public ways and facilities	142,835			42,079	
Recreation and culture					
Education			1,166		
Capital outlay					
Debt service:					
Principal		45			710
Bond issuance costs					
Interest and fiscal charges		2			2
Total expenditures	142,835	3,827	1,166	42,079	81,084
Excess (deficiency) of revenues over (under) expenditures	(6,068)	1,411	55	359	(2,184)
Other financing sources (uses):					
Transfers in	42,344	1,000			
Transfers out	(2,536)				(2,323)
Issuance of long-term debt					
Premiums on debt issued					
Total other financing sources (uses)	39,808	1,000			(2,323)
Changes in fund balances	33,740	2,411	55	359	(4,507)
Fund balances - beginning	91,720	4,696	59	6,813	24,687
Fund balances - ending	$ 125,460	7,107	114	7,172	20,180

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, 2023
(amounts expressed in thousands)

	Fixed Asset Revolving	Lighting and Landscape Maintenance Districts	Park Districts and Park Service Areas	Water Agencies	Stormwater Utility Program
Revenues:					
Taxes	$	733	12,364		8,233
Use of money and property		153	6,201	1,811	725
Licenses and permits				6,841	
Intergovernmental		6	1,444	61	438
Charges for sales and services	3,833	2,744	3,013	4,057	27,060
Fines, forfeitures and penalties			2		2
Pledged tobacco settlement					
Miscellaneous		5	1,656		39
Total revenues	3,833	3,641	24,680	12,770	36,497
Expenditures:					
Current:					
General government		3,778			35,054
Public protection					
Health and sanitation				13,115	
Public ways and facilities					
Recreation and culture			24,251		
Education					
Capital outlay					
Debt service:					
Principal			251		
Bond issuance costs			263		
Interest and fiscal charges			164		
Total expenditures		3,778	24,929	13,115	35,054
Excess (deficiency) of revenues over (under) expenditures	3,833	(137)	(249)	(345)	1,443
Other financing sources (uses):					
Transfers in		1,206			
Transfers out	(3,833)				(1,144)
Issuance of long-term debt			10,000		
Premiums on debt issued			445		
Total other financing sources (uses)	(3,833)	1,206	10,445		(1,144)
Changes in fund balances		1,069	10,196	(345)	299
Fund balances - beginning		3,710	12,019	47,231	21,855
Fund balances - ending	$	4,779	22,215	46,886	22,154

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, 2023
(amounts expressed in thousands)

	Inmate Welfare	Economic Development	Roadways	Tobacco Securitization Authority of Northern California	Environmental Management
Revenues:					
Taxes	$				
Use of money and property	1,595	1,717	1,793	25	441
Licenses and permits		122	11,926		10,863
Intergovernmental		24,476	54		8,072
Charges for sales and services	7,666	3,781			914
Fines, forfeitures and penalties					
Pledged tobacco settlement				15,463	
Miscellaneous	188	801	512		928
Total revenues	9,449	30,897	14,285	15,488	21,218
Expenditures:					
Current:					
General government		30,609			
Public protection	10,053				
Health and sanitation				207	20,714
Public ways and facilities			2,827		
Recreation and culture					
Education					
Capital outlay					
Debt service:					
Principal		52			653
Bond issuance costs					
Interest and fiscal charges		1			153
Total expenditures	10,053	30,662	2,827	207	21,520
Excess (deficiency) of revenues over (under) expenditures	(604)	235	11,458	15,281	(302)
Other financing sources (uses):					
Transfers in		391			295
Transfers out		(159)		(15,236)	(1,012)
Issuance of long-term debt		42			
Premiums on debt issued					
Total other financing sources (uses)		274		(15,236)	(717)
Changes in fund balances	(604)	509	11,458	45	(1,019)
Fund balances - beginning	16,656	47,150	46,396	489	12,733
Fund balances - ending	$ 16,052	47,659	57,854	534	11,714

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, 2023
(amounts expressed in thousands)

	Jail Industry	Sacramento County Groundwater Sustainability Agency	Other	Total
Revenues:				
Taxes	$ 7		4,016	61,149
Use of money and property	10	1	174	19,884
Licenses and permits			3,129	60,177
Intergovernmental			1,932	113,711
Charges for sales and services	253	54	206	171,217
Fines, forfeitures and penalties			13	399
Pledged tobacco settlement				15,463
Miscellaneous			829	5,946
Total revenues	270	55	10,299	447,946
Expenditures:				
Current:				
General government			232	69,673
Public protection	217		7,553	98,195
Health and sanitation			2,823	40,639
Public ways and facilities			14	187,755
Recreation and culture			8	24,259
Education				1,166
Capital outlay		50		50
Debt service:				
Principal				1,711
Bond issuance costs				263
Interest and fiscal charges				322
Total expenditures	217	50	10,630	424,033
Excess (deficiency) of revenues over (under) expenditures	53	5	(331)	23,913
Other financing sources (uses):				
Transfers in				45,236
Transfers out				(26,243)
Issuance of long-term debt				10,042
Premiums on debt issued				445
Total other financing sources (uses)				29,480
Changes in fund balances	53	5	(331)	53,393
Fund balances - beginning	276	1	2,966	339,457
Fund balances - ending	$ 329	6	2,635	392,850

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 1,267	1,267	1,366	99
Use of money and property	476	476	4,017	3,541
Licenses and permits	1,846	1,846	1,948	102
Intergovernmental	97,483	88,089	68,239	(19,850)
Charges for sales and services	63,563	63,082	60,612	(2,470)
Fines, forfeitures and penalties	6	6	146	140
Miscellaneous	475	505	439	(66)
Total revenues	165,116	155,271	136,767	(18,504)
Expenditures:				
Current:				
Public ways and facilities	244,857	266,433	142,835	123,598
Deficiency of revenues under expenditures	(79,741)	(111,162)	(6,068)	105,094
Other financing sources (uses):				
Transfers in	42,344	42,344	42,344	
Transfers out	(2,536)	(2,536)	(2,536)	
Total other financing sources (uses)	39,808	39,808	39,808	
Changes in fund balance	(39,933)	(71,354)	33,740	105,094
Fund balance - beginning	91,720	91,720	91,720	
Fund balance - ending	$ 51,787	20,366	125,460	105,094

COUNTY OF SACRAMENTO
SOLID WASTE COMMERCIAL PROGRAM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$		200	200
Licenses and permits	4,500	4,500	4,721	221
Fines, forfeitures and penalties	41	41	156	115
Miscellaneous	260	260	161	(99)
Total revenues	4,801	4,801	5,238	437
Expenditures:				
Current:				
Health and sanitation	6,605	6,605	3,780	2,825
Debt service				
Principal	45	45	45	
Interest and fiscal charges	2	2	2	
Total expenditures	6,652	6,652	3,827	2,825
Excess (deficiency) of revenues over (under) expenditures	(1,851)	(1,851)	1,411	3,262
Other financing sources:				
Transfers in	1,000	1,000	1,000	
Changes in fund balance	(851)	(851)	2,411	3,262
Fund balance - beginning	4,696	4,696	4,696	
Fund balance - ending	$ 3,845	3,845	7,107	3,262

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 2	2	4	2
Intergovernmental			1,217	1,217
Miscellaneous	1,217	1,217		(1,217)
Total revenues	1,219	1,219	1,221	2
Expenditures:				
Current:				
Education	1,252	1,277	1,166	111
Changes in fund balance	(33)	(58)	55	113
Fund balance - beginning	59	59	59	
Fund balance - ending	$ 26	1	114	113

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 39,650	47,810	34,430	(13,380)
Use of money and property	38	552	449	(103)
Intergovernmental	15,426	15,929	7,558	(8,371)
Miscellaneous	68	8	1	(7)
Total revenues	55,182	64,299	42,438	(21,861)
Expenditures:				
Current:				
Public ways and facilities	57,124	66,103	42,079	24,024
Changes in fund balance	(1,942)	(1,804)	359	2,163
Fund balance - beginning	6,813	6,813	6,813	
Fund balance - ending	$ 4,871	5,009	7,172	2,163

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 31	31	568	537
Licenses and permits	19,345	18,971	20,627	1,656
Intergovernmental	50	205	214	9
Charges for sales and services	58,661	60,575	57,024	(3,551)
Fines, forfeitures and penalties	40	55	80	25
Miscellaneous	396	396	387	(9)
Total revenues	78,523	80,233	78,900	(1,333)
Expenditures:				
Current:				
Public protection	82,213	85,650	80,372	5,278
Debt service:				
Principal	710	710	710	
Interest and fiscal charges	2	2	2	
Total expenditures	82,925	86,362	81,084	5,278
Deficiency of revenues under expenditures	(4,402)	(6,129)	(2,184)	3,945
Other financing uses:				
Transfers out	(2,323)	(2,323)	(2,323)	
Changes in fund balance	(6,725)	(8,452)	(4,507)	3,945
Fund balance - beginning	24,687	24,687	24,687	
Fund balance - ending	$ 17,962	16,235	20,180	3,945

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Charges for sales and services	$		3,833	3,833
Miscellaneous	3,833	3,833		(3,833)
Expenditures:				
Capital outlay	8	6		6
Excess of revenues over expenditures	3,825	3,827	3,833	6
Other financing uses:				
Transfers out	(3,833)	(3,833)	(3,833)	
Changes in fund balance	(8)	(6)		6
Fund balance - beginning				
Fund balance - ending	$ (8)	(6)		6

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 501	501	733	232
Use of money and property	19	19	153	134
Intergovernmental	5	5	6	1
Charges for sales and services	2,723	2,723	2,744	21
Miscellaneous	7	7	5	(2)
Total revenues	3,255	3,255	3,641	386
Expenditures:				
Current:				
General government	4,750	4,854	3,778	1,076
Deficiency of revenues under expenditures	(1,495)	(1,599)	(137)	1,462
Other financing sources:				
Transfers in	1,206	1,206	1,206	
Changes in fund balance	(289)	(393)	1,069	1,462
Fund balance - beginning	3,710	3,710	3,710	
Fund balance - ending	$ 3,421	3,317	4,779	1,462

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 11,591	12,064	12,364	300
Use of money and property	2,197	2,108	6,201	4,093
Intergovernmental	546	2,714	1,444	(1,270)
Charges for sales and services	5,176	6,102	3,013	(3,089)
Fines, forfeitures and penalties			2	2
Miscellaneous	1,888	2,225	1,656	(569)
Total revenues	21,398	25,213	24,680	(533)
Expenditures:				
Current:				
Recreation and culture	25,711	31,599	24,251	7,348
Debt Service:				
Principal	251	251	251	
Bond issuance costs		263	263	
Interest and fiscal charges	164	164	164	
Total expenditures	26,126	32,277	24,929	7,348
Deficiency of revenues under expenditures	(4,728)	(7,064)	(249)	6,815
Other financing sources:				
Issuance of long-term debt		10,000	10,000	
Premiums on debt issued		445	445	
Total other financing sources		10,445	10,445	
Changes in fund balance	(4,728)	3,381	10,196	6,815
Fund balance - beginning	12,019	12,019	12,019	
Fund balance - ending	$ 7,291	15,400	22,215	6,815

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 332	332	1,811	1,479
Licenses and permits	4,873	4,873	6,841	1,968
Intergovernmental	783	783	61	(722)
Charges for sales and services	5,191	9,675	4,057	(5,618)
Total revenues	11,179	15,663	12,770	(2,893)
Expenditures:				
Current:				
Health and sanitation	12,795	26,633	13,115	13,518
Deficiency of revenues under expenditures	(1,616)	(10,970)	(345)	10,625
Changes in fund balance	(1,616)	(10,970)	(345)	10,625
Fund balance - beginning	47,231	47,231	47,231	
Fund balance - ending	$ 45,615	36,261	46,886	10,625

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 7,340	7,340	8,233	893
Use of money and property	80	80	725	645
Intergovernmental	2,989	3,093	438	(2,655)
Charges for sales and services	26,152	26,074	27,060	986
Fines, forfeitures and penalties	2	2	2	
Miscellaneous	80	80	39	(41)
Total revenues	36,643	36,669	36,497	(172)
Expenditures:				
Current:				
General government	40,246	44,815	35,054	9,761
Excess (deficiency) of revenues over (under) expenditures	(3,603)	(8,146)	1,443	9,589
Other financing uses:				
Transfers out	(1,144)	(1,144)	(1,144)	
Changes in fund balance	(4,747)	(9,290)	299	9,589
Fund balance - beginning	21,855	21,855	21,855	
Fund balance - ending	$ 17,108	12,565	22,154	9,589

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 760	760	1,717	957
Licenses and permits	122	122	122	
Intergovernmental	13,396	26,434	24,476	(1,958)
Charges for sales and services	1,220	1,220	3,781	2,561
Miscellaneous	3,084	3,084	801	(2,283)
Total revenues	18,582	31,620	30,897	(723)
Expenditures:				
Current:				
General government	59,205	73,800	30,609	43,191
Debt service:				
Principal	52	52	52	
Interest and fiscal charges	1	1	1	
Total expenditures	59,258	73,853	30,662	43,191
Excess (deficiency) of revenues over (under) expenditures	(40,676)	(42,233)	235	42,468
Other financing sources (uses):				
Transfers in	391	391	391	
Transfers out	(159)	(159)	(159)	
Issuance of long-term debt	42	42	42	
Total other financing sources (uses)	274	274	274	
Changes in fund balance	(40,402)	(41,959)	509	42,468
Fund balance - beginning	47,150	47,150	47,150	
Fund balance - ending	$ 6,748	5,191	47,659	42,468

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 206	206	1,793	1,587
Licenses and permits	24,105	24,105	11,926	(12,179)
Intergovernmental		1,049	54	(995)
Miscellaneous	609	609	512	(97)
Total revenues	24,920	25,969	14,285	(11,684)
Expenditures:				
Current:				
Public ways and facilities	12,245	11,353	2,827	8,526
Changes in fund balance	12,675	14,616	11,458	(3,158)
Fund balance - beginning	46,396	46,396	46,396	
Fund balance - ending	$ 59,071	61,012	57,854	(3,158)

COUNTY OF SACRAMENTO
TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$		25	25
Pledged tobacco settlement			15,463	15,463
Total revenues			15,488	15,488
Expenditures:				
Current:				
Health and sanitation	218	218	207	11
Excess (deficiency) of revenues over (under) expenditures	(218)	(218)	15,281	15,499
Other financing uses:				
Transfers out			(15,236)	(15,236)
Changes in fund balance	(218)	(218)	45	263
Fund balance - beginning	489	489	489	
Fund balance - ending	$ 271	271	534	263

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 80	80	441	361
Licenses and permits	11,568	9,968	10,863	895
Intergovernmental	6,420	8,814	8,072	(742)
Charges for sales and services	838	838	914	76
Miscellaneous	557	948	928	(20)
Total revenues	19,463	20,648	21,218	570
Expenditures:				
Current:				
Health and sanitation	20,962	22,122	20,714	1,408
Debt service:				
Principal	653	653	653	
Interest and fiscal charges	153	153	153	
Total expenditures	21,768	22,928	21,520	1,408
Deficiency of revenues under expenditures	(2,305)	(2,280)	(302)	1,978
Other financing sources (uses):				
Transfers in	295	295	295	
Transfers out	(1,012)	(1,012)	(1,012)	
Total other financing sources (uses)	(717)	(717)	(717)	
Changes in fund balance	(3,022)	(2,997)	(1,019)	1,978
Fund balance - beginning	12,733	12,733	12,733	
Fund balance - ending	$ 9,711	9,736	11,714	1,978

COUNTY OF SACRAMENTO
JAIL INDUSTRY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 4	4	7	3
Use of money and property	1	1	10	9
Charges for sales and services	229	229	253	24
Total revenues	234	234	270	36
Expenditures:				
Current:				
Public protection	233	327	217	110
Excess (deficiency) of revenues over (under) expenditures	1	(93)	53	146
Changes in fund balance	1	(93)	53	146
Fund balance - beginning	276	276	276	
Fund balance - ending	$ 277	183	329	146

COUNTY OF SACRAMENTO
SACRAMENTO COUNTY GROUNDWATER SUSTAINABILITY AGENCY
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$		1	1
Charges for sales and services		70	54	(16)
Total revenues		70	55	(15)
Expenditures:				
Capital outlay		70	50	20
Changes in fund balance			5	5
Fund balance - beginning			1	1
Fund balance - ending	$		6	6

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 3,591	3,591	4,016	425
Use of money and property	13	19	174	155
Licenses and permits	4,500	4,085	3,129	(956)
Intergovernmental	2,317	2,405	1,932	(473)
Charges for sales and services	56	56	206	150
Fines, forfeitures and penalties	20	17	13	(4)
Miscellaneous	800	800	829	29
Total revenues	11,297	10,973	10,299	(674)
Expenditures:				
Current:				
General government	600	594	232	362
Public protection	7,964	8,303	7,553	750
Health and sanitation	3,346	3,386	2,823	563
Public ways and facilities	777	794	14	780
Recreation and culture	30	20	8	12
Total expenditures	12,717	13,097	10,630	2,467
Changes in fund balance	(1,420)	(2,124)	(331)	1,793
Fund balance - beginning	2,966	2,966	2,966	
Fund balance - ending	$ 1,546	842	2,635	1,793

This page intentionally left blank

ANNUAL COMPREHENSIVE FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

DEBT SERVICE FUNDS

DEBT SERVICE FUNDS

Public Facilities Financing Corporation - Services the debt associated with the Public Facilities Financing Corporation's Juvenile Courthouse and the 2018, 2020 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, 2023
(amounts expressed in thousands)

	Public Facilities Financing Corporation							
	Juvenile Courthouse	2018 Public Facilities Refunding	2020 Public Facilities Refunding	Pension Obligation Bonds	Teeter Plan	Tobacco Securitization Authority of Northern California	Sacramento County Public Financing Authority	Total
Assets:								
Cash and investments	$ 2,460	400	2,992	3,794	3,461	13,071	6,564	32,742
Receivables:								
Interest	80	71	37	591	14			793
Loan receivable from County Successor Agency							51,629	51,629
Loan receivable from City Successor Agency							4,134	4,134
Long-term receivables					22,273			22,273
Total assets	$ 2,540	471	3,029	4,385	25,748	13,071	62,327	111,571
Liabilities, deferred inflows of resources and fund balances:								
Liabilities:								
Accrued liabilities	$ 2			46				48
Deferred inflows of resources:								
Unavailable revenues							55,763	55,763
Fund balances:								
Restricted	2,538	471	3,029	4,339	25,748	13,071	6,564	55,760
Total liabilities, deferred inflows of resources and fund balances	$ 2,540	471	3,029	4,385	25,748	13,071	62,327	111,571

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, 2023
(amounts expressed in thousands)

	Public Facilities Financing Corporations							
	Juvenile Courthouse	2018 Public Facilities Refunding	2020 Public Facilities Refunding	Pension Obligation Bonds	Teeter Plan	Tobacco Securitization Authority of Northern California	Sacramento County Public Financing Authority	Total
Revenues:								
Use of money and property	$ 133	123	138	1,377	42	419		2,232
Intergovernmental				12,792			6,401	19,193
Fines, forfeitures and penalties					11,824			11,824
Miscellaneous				162				162
Total revenues	133	123	138	14,331	11,866	419	6,401	33,411
Expenditures:								
Debt service:								
Principal	1,230	6,405	2,570	111,515	23,294	9,745	2,950	157,709
Bond issuance costs				369				369
Interest and fiscal charges	1,032	3,435	1,262	41,300	372	5,991	3,085	56,477
Total expenditures	2,262	9,840	3,832	153,184	23,666	15,736	6,035	214,555
Excess (deficiency) of revenues over (under) expenditures	(2,129)	(9,717)	(3,694)	(138,853)	(11,800)	(15,317)	366	(181,144)
Other financing sources (uses):								
Transfers in	2,249	9,810	3,833	139,943		15,236		171,071
Transfers out			(775)		(11,957)			(12,732)
Issuance of long-term debt					23,416			23,416
Refunding debt issued				180,740				180,740
Payment to refunded bonds escrow agent				(180,371)				(180,371)
Total other financing sources (uses)	2,249	9,810	3,058	140,312	11,459	15,236		182,124
Changes in fund balances	120	93	(636)	1,459	(341)	(81)	366	980
Fund balances - beginning	2,418	378	3,665	2,880	26,089	13,152	6,198	54,780
Fund balances - ending	$ 2,538	471	3,029	4,339	25,748	13,071	6,564	55,760

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$		133	133
Expenditures:				
Debt service:				
Principal	1,230	1,230	1,230	
Interest and fiscal charges	1,216	1,234	1,032	202
Total expenditures	2,446	2,464	2,262	202
Deficiency of revenues under expenditures	(2,446)	(2,464)	(2,129)	335
Other financing sources:				
Transfers in	2,249	2,249	2,249	
Changes in fund balance	(197)	(215)	120	335
Fund balance - beginning	2,418	2,418	2,418	
Fund balance - ending	$ 2,221	2,203	2,538	335

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$		123	123
Expenditures:				
Debt service:				
Principal	6,405	6,405	6,405	
Interest and fiscal charges	3,747	3,787	3,435	352
Total expenditures	10,152	10,192	9,840	352
Deficiency of revenues under expenditures	(10,152)	(10,192)	(9,717)	475
Other financing sources:				
Transfers in	9,810	9,810	9,810	
Changes in fund balance	(342)	(382)	93	475
Fund balance - beginning	378	378	378	
Fund balance - ending	$ 36	(4)	471	475

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
2020 PUBLIC FACILITIES REFUNDING DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$		138	138
Expenditures:				
Debt Service				
Bond issuance costs	2,570	2,570	2,570	
Interest and fiscal charges	1,415	2,321	1,262	1,059
Total expenditures	3,985	4,891	3,832	1,059
Deficiency of revenues under expenditures	(3,985)	(4,891)	(3,694)	1,197
Other financing sources (uses):				
Transfers in	3,833	3,833	3,833	
Transfers out	(775)	(775)	(775)	
Total other financing sources (uses)	3,058	3,058	3,058	
Changes in fund balance	(927)	(1,833)	(636)	1,197
Fund balance - beginning	3,665	3,665	3,665	
Fund balance - ending	$ 2,738	1,832	3,029	1,197

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 13,160	13,160	1,377	(11,783)
Intergovernmental			12,792	12,792
Miscellaneous			162	162
Total revenues	13,160	13,160	14,331	1,171
Expenditures:				
Debt service:				
Principal	111,515	111,515	111,515	
Bond issuance costs		369	369	
Interest and fiscal charges	43,753	44,493	41,300	3,193
Total expenditures	155,268	156,377	153,184	3,193
Deficiency of revenues under expenditures	(142,108)	(143,217)	(138,853)	4,364
Other financing sources (uses):				
Transfers in	139,943	139,943	139,943	
Refunding debt issued		180,740	180,740	
Payment to refunded bonds escrow agent		(180,371)	(180,371)	
Total other financing sources (uses)	139,943	140,312	140,312	
Changes in fund balance	(2,165)	(2,905)	1,459	4,364
Fund balance - beginning	2,880	2,880	2,880	
Fund balance - ending	$ 715	(25)	4,339	4,364

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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$		42	42
Fines, forfeitures and penalties			11,824	11,824
Miscellaneous	35,811	34,525		(34,525)
Total revenues	35,811	34,525	11,866	(22,659)
Expenditures:				
Debt service:				
Principal	26,629	25,121	23,294	1,827
Interest and fiscal charges	1,422	1,422	372	1,050
Total expenditures	28,051	26,543	23,666	2,877
Excess (deficiency) of revenues over (under) expenditures	7,760	7,982	(11,800)	(19,782)
Other financing sources (uses):				
Transfers out	(11,957)	(11,957)	(11,957)	
Issuance of long-term debt			23,416	23,416
Total other financing sources (uses)	(11,957)	(11,957)	11,459	23,416
Changes in fund balance	(4,197)	(3,975)	(341)	3,634
Fund balance - beginning	26,089	26,089	26,089	
Fund balance - ending	$ 21,892	22,114	25,748	3,634

ANNUAL COMPREHENSIVE FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

CAPITAL PROJECT FUNDS

CAPITAL PROJECTS 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 under the 1915 Improvement Bond Act from special assessment district property owners.

Metro Air Park Community Facilities District (CFD) - 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 CFD.

CAPITAL PROJECTS 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, 2023
(amounts expressed in thousands)

	Improvement Bond Act of 1911	Improvement Bond Act of 1915	Metro Air Park CFD	Laguna Stonelake CFD	Park Meadows CFD	Laguna CFD	Laguna Creek Ranch/Elliott Ranch CFD
Assets:							
Cash and investments	$ 239	3,381	47,917	247	115	299	9,060
Receivables, net of allowance for uncollectibles:							
Billed							
Interest	5	75	360	7	6	6	206
Intergovernmental			100				
Long-term receivables							
Total assets	$ 244	3,456	48,377	254	121	305	9,266
Liabilities, deferred inflows of resources, and fund balances:							
Liabilities:							
Warrants payable	$						
Accrued liabilities			305				
Intergovernmental payable	45	17					2
Total liabilities	45	17	305				2
Deferred inflows of resources:							
Unavailable revenues							
Fund balances:							
Restricted	199	3,439	48,072	254	121	305	9,264
Total liabilities, deferred inflows of resources, and fund balances	$ 244	3,456	48,377	254	121	305	9,266

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023
(amounts expressed in thousands)

	Accumulated Capital Outlay	Community Fee Districts	Tobacco Litigation Settlement	McClellan Park CFD No. 2004-1
Assets:				
Cash and investments	$ 84,344	22,473		648
Receivables, net of allowance for uncollectibles:				
Billed	992			
Interest	1,666	484		15
Intergovernmental		49		
Long-term receivables		433		
Total assets	$ 87,002	23,439		663
Liabilities, deferred inflows of resources, and fund balances:				
Liabilities:				
Warrants payable	$ 467	3		
Accrued liabilities	2,174			
Intergovernmental payable	286	275		
Total liabilities	2,927	278		
Deferred inflows of resources:				
Unavailable revenues	850	444		
Fund balances:				
Restricted	83,225	22,717		663
Total liabilities, deferred inflows of resources, and fund balances	$ 87,002	23,439		663

COUNTY OF SACRAMENTO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023
(amounts expressed in thousands)

	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	$ 439	37,101	597	9,829	104	216,793
Receivables, net of allowance for uncollectibles:						
Billed	6					998
Interest	9	711	9	197	2	3,758
Intergovernmental						149
Long-term receivables		2,389				2,822
Total assets	$ 454	40,201	606	10,026	106	224,520
Liabilities, deferred inflows of resources, and fund balances:						
Liabilities:						
Warrants payable	$ 34					504
Accrued liabilities		691		4		3,174
Intergovernmental payable				2,075	11	2,711
Total liabilities	34	691		2,079	11	6,389
Deferred inflows of resources:						
Unavailable revenues		2,389				3,683
Fund balances:						
Restricted	420	37,121	606	7,947	95	214,448
Total liabilities, deferred inflows of resources, and fund balances	$ 454	40,201	606	10,026	106	224,520

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, 2023
(amounts expressed in thousands)

	Improvement Bond Act of 1911	Improvement Bond Act of 1915	Metro Air Park CFD	Laguna Stonelake CFD	Park Meadows CFD	Laguna CFD	Laguna Creek Ranch/Elliott Ranch CFD
Revenues:							
Taxes	$		6,188	121	70		
Use of money and property	5	129	1,226	11	8	12	350
Intergovernmental							
Charges for sales and services			28				
Fines, forfeitures and penalties							
Contributions from property owners			37,239				
Miscellaneous							
Total revenues	5	129	44,681	132	78	12	350
Expenditures:							
Current:							
Public ways and facilities						20	210
Capital outlay		56	3,572	105	56		
Total expenditures		56	3,572	105	56	20	210
Excess (deficiency) of revenues over (under) expenditures	5	73	41,109	27	22	(8)	140
Other financing sources (uses):							
Transfers in							
Transfers out							
Total other financing sources (uses)							
Changes in fund balances	5	73	41,109	27	22	(8)	140
Fund balances - beginning	194	3,366	6,963	227	99	313	9,124
Fund balances - ending	$ 199	3,439	48,072	254	121	305	9,264

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, 2023
(amounts expressed in thousands)

	Accumulated Capital Outlay	Community Fee Districts	Tobacco Litigation Settlement	McClellan Park CFD No. 2004-1
Revenues:				
Taxes	$			148
Use of money and property	2,712	753		13
Intergovernmental	31,497	207		
Charges for sales and services	25,277	3,540		
Fines, forfeitures and penalties	1,578			
Contributions from property owners				
Miscellaneous	733			
Total revenues	61,797	4,500		161
Expenditures:				
Current:				
Public ways and facilities				
Capital outlay	48,659	1,542	1	106
Total expenditures	48,659	1,542	1	106
Excess (deficiency) of revenues over (under) expenditures	13,138	2,958	(1)	55
Other financing sources (uses):				
Transfers in	16,491			
Transfers out	(279)			
Total other financing sources (uses)	16,212			
Changes in fund balances	29,350	2,958	(1)	55
Fund balances - beginning	53,875	19,759	1	608
Fund balances - ending	$ 83,225	22,717		663

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, 2023
(amounts expressed in thousands)

	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:						
Taxes	$		39	689		7,255
Use of money and property	16	1,070	23		3	6,331
Intergovernmental		1,940				33,644
Charges for sales and services	335	13,834			21	43,035
Fines, forfeitures and penalties						1,578
Contributions from property owners						37,239
Miscellaneous						733
Total revenues	351	16,844	62	689	24	129,815
Expenditures:						
Current:						
Public ways and facilities					15	245
Capital outlay	336	2,438	1,138	354		58,363
Total expenditures	336	2,438	1,138	354	15	58,608
Excess (deficiency) of revenues over (under) expenditures	15	14,406	(1,076)	335	9	71,207
Other financing sources (uses):						
Transfers in						16,491
Transfers out	(16)					(295)
Total other financing sources (uses)	(16)					16,196
Changes in fund balances	(1)	14,406	(1,076)	335	9	87,403
Fund balances - beginning	421	22,715	1,682	7,612	86	127,045
Fund balances - ending	$ 420	37,121	606	7,947	95	214,448

COUNTY OF SACRAMENTO
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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 67	67	129	62
Charges for sales and services		2,766		(2,766)
Total revenues	67	2,833	129	(2,704)
Expenditures:				
Capital outlay	3,471	3,486	56	3,430
Changes in fund balance	(3,404)	(653)	73	726
Fund balance - beginning	3,366	3,366	3,366	
Fund balance - ending	$ (38)	2,713	3,439	726

COUNTY OF SACRAMENTO
METRO AIR PARK CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 2,801	6,821	6,188	(633)
Use of money and property	20	40	1,226	1,186
Charges for sales and services		2	28	26
Contributions from property owners		37,292	37,239	(53)
Total revenues	2,821	44,155	44,681	526
Expenditures:				
Capital outlay	10,030	51,163	3,572	47,591
Changes in fund balance	(7,209)	(7,008)	41,109	48,117
Fund balance - beginning	6,963	6,963	6,963	
Fund balance - ending	$ (246)	(45)	48,072	48,117

COUNTY OF SACRAMENTO
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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 120	120	121	1
Use of money and property	5	5	11	6
Total revenues	125	125	132	7
Expenditures:				
Capital outlay	366	354	105	249
Changes in fund balance	(241)	(229)	27	256
Fund balance - beginning	227	227	227	
Fund balance - ending	$ (14)	(2)	254	256

COUNTY OF SACRAMENTO
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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 70	70	70	
Use of money and property	4	4	8	4
Total revenues	74	74	78	4
Expenditures:				
Capital outlay	177	172	56	116
Changes in fund balance	(103)	(98)	22	120
Fund balance - beginning	99	99	99	
Fund balance - ending	$ (4)	1	121	120

COUNTY OF SACRAMENTO
LAGUNA CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 3	3	12	9
Expenditures:				
Current:				
Public ways and facilities	320	319	20	299
Changes in fund balance	(317)	(316)	(8)	308
Fund balance - beginning	313	313	313	
Fund balance - ending	$ (4)	(3)	305	308

COUNTY OF SACRAMENTO
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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 6	18	350	332
Expenditures:				
Current:				
Public ways and facilities	3,917	5,780	210	5,570
Changes in fund balance	(3,911)	(5,762)	140	5,902
Fund balance - beginning	9,124	9,124	9,124	
Fund balance - ending	$ 5,213	3,362	9,264	5,902

COUNTY OF SACRAMENTO
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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 30	30	2,712	2,682
Intergovernmental	9,400	56,621	31,497	(25,124)
Charges for sales and services		7,595	25,277	17,682
Fines, forfeitures and penalties	1,400	1,300	1,578	278
Miscellaneous	26,662	36,226	733	(35,493)
Total revenues	37,492	101,772	61,797	(39,975)
Expenditures:				
Capital outlay	86,856	172,008	48,659	123,349
Excess (deficiency) of revenues over (under) expenditures	(49,364)	(70,236)	13,138	83,374
Other financing sources (uses):				
Transfers in	16,491	16,491	16,491	
Transfers out	(279)	(279)	(279)	
Total other financing sources (uses)	16,212	16,212	16,212	
Changes in fund balance	(33,152)	(54,024)	29,350	83,374
Fund balance - beginning	53,875	53,875	53,875	
Fund balance - ending	$ 20,723	(149)	83,225	83,374

COUNTY OF SACRAMENTO
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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 77	212	753	541
Intergovernmental	5,471	5,846	207	(5,639)
Charges for sales and services	3,506	4,693	3,540	(1,153)
Total revenues	9,054	10,751	4,500	(6,251)
Expenditures:				
Capital outlay	24,977	29,532	1,542	27,990
Changes in fund balance	(15,923)	(18,781)	2,958	21,739
Fund balance - beginning	19,759	19,759	19,759	
Fund balance - ending	$ 3,836	978	22,717	21,739

COUNTY OF SACRAMENTO
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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures:				
Capital outlay	$ 1	1	1	
Changes in fund balance	(1)	(1)	(1)	
Fund balance - beginning	1	1	1	
Fund balance - ending	$			

COUNTY OF SACRAMENTO
MCCLELLAN PARK CFD NO. 2004-1 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 148	148	148	
Use of money and property	15	15	13	(2)
Total revenues	163	163	161	(2)
Expenditures:				
Capital outlay	920	906	106	800
Changes in fund balance	(757)	(743)	55	798
Fund balance - beginning	608	608	608	
Fund balance - ending	$ (149)	(135)	663	798

COUNTY OF SACRAMENTO
SACRAMENTO COUNTY LANDSCAPE MAINTENANCE CFD NO. 2004-2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 3	3	16	13
Charges for sales and services	313	313	335	22
Total revenues	316	316	351	35
Expenditures:				
Capital outlay	461	461	336	125
Excess (deficiency) of revenues over (under) expenditures	(145)	(145)	15	160
Other financing uses:				
Transfers out	(16)	(16)	(16)	
Changes in fund balance	(161)	(161)	(1)	160
Fund balance - beginning	421	421	421	
Fund balance - ending	$ 260	260	420	160

COUNTY OF SACRAMENTO
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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 153	211	1,070	859
Intergovernmental	1,940	1,940	1,940	
Charges for sales and services	24,162	28,202	13,834	(14,368)
Total revenues	26,255	30,353	16,844	(13,509)
Expenditures:				
Capital outlay	49,860	53,408	2,438	50,970
Changes in fund balance	(23,605)	(23,055)	14,406	37,461
Fund balance - beginning	22,715	22,715	22,715	
Fund balance - ending	$ (890)	(340)	37,121	37,461

COUNTY OF SACRAMENTO
FLORIN VINEYARD CFD NO. 1 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 78	78	39	(39)
Use of money and property	60	60	23	(37)
Total revenues	138	138	62	(76)
Expenditures:				
Capital outlay	1,825	1,819	1,138	681
Changes in fund balance	(1,687)	(1,681)	(1,076)	605
Fund balance - beginning	1,682	1,682	1,682	
Fund balance - ending	$ (5)	1	606	605

COUNTY OF SACRAMENTO
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, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 863	863	689	(174)
Use of money and property	105	111		(111)
Total revenues	968	974	689	(285)
Expenditures:				
Capital outlay	5,338	4,955	354	4,601
Changes in fund balance	(4,370)	(3,981)	335	4,316
Fund balance - beginning	7,612	7,612	7,612	
Fund balance - ending	$ 3,242	3,631	7,947	4,316

COUNTY OF SACRAMENTO
COUNTY PARKS CFD NO. 2006-1 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Use of money and property	$ 3	3	3	
Charges for services	21	21	21	
Total revenues	24	24	24	
Expenditures:				
Public ways and facilities	15	15	15	
Changes in fund balance	9	9	9	
Fund balance - beginning	86	86	86	
Fund balance - ending	$ 95	95	95	

This page intentionally left blank

ANNUAL COMPREHENSIVE 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 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, 2023
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
Assets:			
Current assets:			
Cash and investments	$ 7,353	1,821	9,174
Receivables, net of allowance for uncollectibles:			
Billed		17	17
Interest	159	32	191
Intergovernmental		2,144	2,144
Total current assets	7,512	4,014	11,526
Noncurrent assets:			
Capital assets:			
Land and other nondepreciable assets	1,299		1,299
Buildings and improvements, infrastructure, equipment and intangibles, net	673	462	1,135
Total capital assets	1,972	462	2,434
Total assets	9,484	4,476	13,960
Deferred outflows of resources:			
Deferred outflows related to pensions	101		101
Deferred outflows related to OPEB	1		1
Total deferred outflows of resources	102		102
Total assets and deferred outflows of resources	9,586	4,476	14,062

COUNTY OF SACRAMENTO
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2023
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
Liabilities:			
Current liabilities:			
Warrants payable	$ 2	296	298
Accrued liabilities	21		21
Intergovernmental payable	14	13	27
Current portion of long-term debt obligations	67		67
Total current liabilities	104	309	413
Noncurrent liabilities:			
Long-term debt obligations	177		177
Net pension liability	218		218
Total OPEB liability	44		44
Total noncurrent liabilities	439		439
Total liabilities	543	309	852
Deferred inflows of resources:			
Deferred inflows related to pensions	76		76
Deferred inflows related to OPEB	38		38
Total deferred inflows of resources	114		114
Total liabilities and deferred inflows of resources	657	309	966
Net position:			
Net investment in capital assets	1,766	462	2,228
Restricted for:			
Capital projects		2,361	2,361
Transportation		1,344	1,344
Unrestricted	7,163		7,163
Total net position	$ 8,929	4,167	13,096

COUNTY OF SACRAMENTO
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
Operating revenues:			
Charges for sales and services	$ 2,440	101	2,541
Operating expenses:			
Salaries and benefits	282		282
Services and supplies	1,275	360	1,635
Cost of sales and services		2,047	2,047
Depreciation and amortization	191	479	670
Other	212		212
Total operating expenses	1,960	2,886	4,846
Operating income (loss)	480	(2,785)	(2,305)
Nonoperating revenues (expense):			
Use of money and property	233	49	282
Intergovernmental	6	2,175	2,181
Interest expense	(5)		(5)
Total nonoperating revenues (expense)	234	2,224	2,458
Income (loss) before transfers and contributions	714	(561)	153
Transfers out	(25)		(25)
Capital contributions		487	487
Changes in net position	689	(74)	615
Net position, beginning of year	8,240	4,241	12,481
Net position, end of year	$ 8,929	4,167	13,096

COUNTY OF SACRAMENTO
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 2,440	97	2,537
Payments to suppliers	(1,373)	(2,279)	(3,652)
Payments to employees	(335)		(335)
Payments for other operating activities	(212)		(212)
Net cash provided by (used for) operating activities	520	(2,182)	(1,662)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	(25)		(25)
Intergovernmental revenue	6	2,540	2,546
Net cash provided by (used for) noncapital financing activities	(19)	2,540	2,521
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions		281	281
Principal paid on long-term obligations	(65)		(65)
Interest paid on long-term obligations	(5)		(5)
Net cash provided by (used for) capital and related financing activities	(70)	281	211
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received and fair value adjustment on cash and investments	97	23	120
Net increase in cash and cash equivalents	528	662	1,190
Cash and cash equivalents, beginning of year	6,825	1,159	7,984
Cash and cash equivalents, end of year	$ 7,353	1,821	9,174

COUNTY OF SACRAMENTO
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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)	$ 480	(2,785)	(2,305)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	191	479	670
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Billed receivable		(4)	(4)
Warrants payable	2	137	139
Accrued liabilities	(98)		(98)
Intergovernmental payable		(9)	(9)
Net pension liability and related deferred outflows and inflows	(53)		(53)
Total OPEB liability and related deferred outflows and inflows	(2)		(2)
Total adjustments	40	603	643
Net cash provided by (used for) operating activities	$ 520	(2,182)	(1,662)

ANNUAL COMPREHENSIVE 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 Self-Insurance - Accounts for the County's program of self-insurance for liability claims.

Workers' Compensation Self-Insurance - Accounts for the County's self-insurance for all workers' compensation claims.

Other Self-Insurance - Accounts for the County's self-insurance for all dental and 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, 2023
(amounts expressed in thousands)

	General Services	Self-Insurance: Liability	Self-Insurance: Workers' Compensation	Self-Insurance: Other	Regional Radio Communications System	Department of Technology	Total
Assets:							
Current assets:							
Cash and investments	$ 133,090	45,395	129,662	18,979	7,797	45,478	380,401
Receivables, net of allowance for uncollectibles:							
Billed	5	25,000					25,005
Interest	27				191		218
Intergovernmental	106						106
Leases	148				30		178
Prepaid items	41				1,449	3,398	4,888
Inventories	2,340						2,340
Total current assets	135,757	70,395	129,662	18,979	9,467	48,876	413,136
Noncurrent assets:							
Long-term receivables			118				118
Long-term receivable, leases	648				257		905
Capital assets:							
Buildings and improvements, infrastructure, equipment and intangibles, net	38,762		4		14,951	51,620	105,337
Total noncurrent assets	39,410		122		15,208	51,620	106,360
Total assets	175,167	70,395	129,784	18,979	24,675	100,496	519,496
Deferred outflows of resources:							
Deferred outflows related to pensions	13,182				385	16,823	30,390
Deferred outflows related to OPEB	445				61	411	917
Total deferred outflows of resources	13,627				446	17,234	31,307
Total assets and deferred outflows of resources	188,794	70,395	129,784	18,979	25,121	117,730	550,803

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2023
(amounts expressed in thousands)

	General Services	Self-Insurance: Liability	Self-Insurance: Workers' Compensation	Self-Insurance: Other	Regional Radio Communications System	Department of Technology	Total
Liabilities:							
Current liabilities:							
Warrants payable	$ 5,623	367	1,243		15	681	7,929
Accrued liabilities	7,175	27,707	2		126	5,758	40,768
Intergovernmental payable	5						5
Current portion of insurance claims payable		16,971	27,598	441			45,010
Current portion of long-term debt obligations	838				1,539	10,758	13,135
Unearned revenues			120		2,424	8,926	11,470
Total current liabilities	13,641	45,045	28,963	441	4,104	26,123	118,317
Noncurrent liabilities:							
Insurance claims payable		45,749	176,565				222,314
Long-term debt obligations	3,985				1,242	37,143	42,370
Net pension liability	32,238				878	39,228	72,344
Total OPEB liability	3,702				79	3,475	7,256
Total noncurrent liabilities	39,925	45,749	176,565		2,199	79,846	344,284
Total liabilities	53,566	90,794	205,528	441	6,303	105,969	462,601
Deferred inflows of resources:							
Deferred inflows related to pensions	5,473				198	6,160	11,831
Deferred inflows related to OPEB	2,575				46	1,979	4,600
Deferred inflows related to leases	779				289		1,068
Total deferred inflows of resources	8,827				533	8,139	17,499
Total liabilities and deferred inflows of resources	62,393	90,794	205,528	441	6,836	114,108	480,100
Net position:							
Net investment in capital assets	38,549		4		12,313	12,011	62,877
Unrestricted	87,852	(20,399)	(75,748)	18,538	5,972	(8,389)	7,826
Total net position (deficit)	$ 126,401	(20,399)	(75,744)	18,538	18,285	3,622	70,703

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

		Self-Insurance					
	General Services	Liability	Workers' Compensation	Other	Regional Radio Communications System	Department of Technology	Total
Operating revenues:							
Charges for sales and services	$ 171,287	37,184	33,082	20,541	5,854	113,760	381,708
Other	1,017	1,859	178	2	429	257	3,742
Total operating revenues	172,304	39,043	33,260	20,543	6,283	114,017	385,450
Operating expenses:							
Salaries and benefits	45,717				1,277	51,268	98,262
Services and supplies	95,254				1,804	32,995	130,053
Cost of sales and services	3,160						3,160
Depreciation and amortization	12,385		10		2,391	10,058	24,844
Claim payments and actuarial estimates		36,779	28,624	15,762			81,165
Other	194	67	279	18	13		571
Total operating expenses	156,710	36,846	28,913	15,780	5,485	94,321	338,055
Operating income	15,594	2,197	4,347	4,763	798	19,696	47,395
Nonoperating revenues (expenses):							
Use of money and property	8	168	621	56	315	144	1,312
Interest expense	(3)				(25)		(28)
Other revenues (expenses)	2,195				3	(95)	2,103
Total nonoperating revenues (expenses)	2,200	168	621	56	293	49	3,387
Income before transfers	17,794	2,365	4,968	4,819	1,091	19,745	50,782
Transfers in	1,271						1,271
Transfers out	(3,877)				(81)	(6,516)	(10,474)
Changes in net position	15,188	2,365	4,968	4,819	1,010	13,229	41,579
Net position (deficit), beginning of year	111,213	(22,764)	(80,712)	13,719	17,275	(9,607)	29,124
Net position (deficit), end of year	$ 126,401	(20,399)	(75,744)	18,538	18,285	3,622	70,703

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	General Services	Self-Insurance Liability	Self-Insurance Workers' Compensation	Self-Insurance Other	Regional Radio Communications System	Department of Technology	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and users	$ 1,089						1,089
Receipts from interfund services provided	171,264	37,184	33,082	20,562	5,937	117,632	385,661
Receipts for other operating activities		1,859	178	2	486		2,525
Payments to suppliers	(88,960)	(29,053)	(23,404)	(15,702)	(1,407)	(28,210)	(186,736)
Payments to employees	(54,361)				(1,390)	(57,462)	(113,213)
Payments for other operating activities	(194)					(3,136)	(3,330)
Payments for interfund services used	(7,343)	(2,987)	(5,307)	(325)	(372)	(1,847)	(18,181)
Net cash flows provided by operating activities	21,495	7,003	4,549	4,537	3,254	26,977	67,815
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers from other funds	1,271						1,271
Transfers to other funds	(3,877)				(81)	(6,516)	(10,474)
Intergovernmental revenue	334						334
Net cash used for noncapital financing activities	(2,272)				(81)	(6,516)	(8,869)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	(12,712)				(2,324)	(6,745)	(21,781)
Principal paid on long-term obligations	(271)					(3,999)	(4,270)
Interest paid on long-term obligations	(3)				(25)		(28)
Proceeds from the sale of capital assets	1,883						1,883
Net cash used for capital and related financing activities	(11,103)				(2,349)	(10,744)	(24,196)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received and fair value adjustment on cash and investments	(22)	168	621	56	148	144	1,115
Net increase in cash and cash equivalents	8,098	7,171	5,170	4,593	972	9,861	35,865
Cash and cash equivalents, beginning of year	124,992	38,224	124,492	14,386	6,825	35,617	344,536
Cash and cash equivalents, end of year	$ 133,090	45,395	129,662	18,979	7,797	45,478	380,401

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

		Self-Insurance					
	General Services	Liability	Workers' Compensation	Other	Regional Radio Communications System	Department of Technology	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
Operating income	$ 15,594	2,197	4,347	4,763	798	19,696	47,395
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation and amortization	12,385		10		2,391	10,058	24,844
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:							
Receivables:							
Billed	72	(25,000)					(24,928)
Leases					30		30
Intergovernmental	(24)			21			(3)
Prepaid items	20				41	(2,761)	(2,700)
Inventories	(579)						(579)
Warrants payable	1,512	42	(135)		(1)	(56)	1,362
Accrued liabilities	972	26,808			56	2,619	30,455
Intergovernmental payable	4						4
Unearned revenues					83	3,615	3,698
Compensated absences	99				40	596	735
Insurance claims payable		2,956	327	(247)			3,036
Net pension liability and related deferred outflows and inflows	(8,056)				(165)	(6,531)	(14,752)
Net lease liability and related deferred outflows and inflows					(30)		(30)
Total OPEB liability and related deferred outflows and inflows	(504)				11	(259)	(752)
Total adjustments	5,901	4,806	202	(226)	2,456	7,281	20,420
Net cash provided by operating activities	$ 21,495	7,003	4,549	4,537	3,254	26,977	67,815
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES							
Capital assets purchases using long-term debt	$					16,489	16,489

ANNUAL COMPREHENSIVE FINANCIAL REPORT

CUSTODIAL FUNDS

CUSTODIAL FUNDS

Law Enforcement - Accounts for law enforcement revenues collected pending disbursement, reimbursement or apportionment to the appropriate external law enforcement and policing agencies.

Unapportioned Tax Collection - Accounts for property taxes received but not yet apportioned by the County to other taxing agencies.

Other - Accounts for other custodial funds where the County holds money in a custodial capacity.

Public Guardian used to account for monies that belong to individuals who are unable to care for themselves.

Community Facility Districts (CFD) debt service funds used to account for funds received from property owners within the CFD and pay debt service.

Park Dedication fee funds used to account for the collection of park dedication fees for independent park districts.

School District General Obligation Bond funds used to to account for collection of payment of monies to fund the debt service of general obligations bond for various school districts.

Other **-** Various funds held in fiduciary capacity for other entities.

COUNTY OF SACRAMENTO
CUSTODIAL FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023
(amounts expressed in thousands)

	Law Enforcement	Unapportioned Tax Collection	Other	Total
Assets:				
Cash and investments	$ 19,551	10,843	276,261	306,655
Receivables, net of allowance for uncollectibles:				
Billed	124		1,298	1,422
Interest	142	7,665	2,774	10,581
Intergovernmental			212	212
Prepaid items			180	180
Total assets	19,817	18,508	280,725	319,050
Liabilities:				
Warrants payable	320	8,861	4,342	13,523
Accrued liabilities	1,259	192	68,346	69,797
Total liabilities	1,579	9,053	72,688	83,320
Net position				
Restricted for individuals, organizations and other governments	$ 18,238	9,455	208,037	235,730

COUNTY OF SACRAMENTO
CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(amounts expressed in thousands)

	Law Enforcement	Unapportioned Tax Collection	Other	Total
Additions:				
Property taxes	$	5,520,281		5,520,281
Contributions to pooled investments	148,280		1,233,482	1,381,762
Investment income, net	332	11,541	5,527	17,400
Total additions	148,612	5,531,822	1,239,009	6,919,443
Deductions:				
Distributions to taxing entities		5,524,999		5,524,999
Distributions from pooled investments	151,665		1,174,774	1,326,439
Administrative expenses	485	7,290	5,141	12,916
Total deductions	152,150	5,532,289	1,179,915	6,864,354
Changes in net position	(3,538)	(467)	59,094	55,089
Net position, beginning of year	21,776	9,922	148,943	180,641
Net position, end of year	$ 18,238	9,455	208,037	235,730

This page intentionally left blank

ANNUAL COMPREHENSIVE FINANCIAL REPORT

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Sacramento County's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information conveys about the County'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 has 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 operations 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 annual comprehensive financial reports for the relevant year(s).

COUNTY OF SACRAMENTO
NET POSITION BY COMPONENT
FISCAL YEARS 2013-14 THROUGH 2022-23
(amounts expressed in thousands)

	Fiscal Year									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Governmental activities										
Net investment in capital assets	$ 1,389,288	1,362,707	1,370,462	1,383,387	1,416,649	1,415,121	1,429,186	1,473,398	1,513,277	1,536,121
Restricted	284,613	179,628	496,622	639,813	677,982	679,546	609,131	662,416	826,031	995,823
Unrestricted	(206,727)	(1,945,922)	(2,164,382)	(2,351,925)	(2,531,677)	(2,579,412)	(2,485,842)	(2,454,016)	(1,979,787)	(1,674,686)
Total governmental activities net position	$ 1,467,174	(403,587)	(297,298)	(328,725)	(437,046)	(484,745)	(447,525)	(318,202)	359,521	857,258
Business-type activities										
Net investment in capital assets	$ 902,340	893,262	916,597	943,226	957,979	1,001,266	1,123,159	1,149,300	1,177,876	1,220,490
Restricted	113,277	117,472	116,658	116,219	106,816	130,601	95,800	98,434	107,360	129,314
Unrestricted	252,278	223,719	240,042	246,510	272,450	277,200	261,720	252,374	363,159	442,275
Total business-type activities net position	$ 1,267,895	1,234,453	1,273,297	1,305,955	1,337,245	1,409,067	1,480,679	1,500,108	1,648,395	1,792,079
Primary government										
Net investment in capital assets	$ 2,291,628	2,255,969	2,287,059	2,326,613	2,374,628	2,416,387	2,552,345	2,622,698	2,691,153	2,756,611
Restricted	397,890	297,100	613,280	756,032	784,798	810,147	704,931	760,850	933,391	1,125,137
Unrestricted	45,551	(1,722,203)	(1,924,340)	(2,105,415)	(2,259,227)	(2,302,212)	(2,224,122)	(2,201,642)	(1,616,628)	(1,232,411)
Total primary government net position	$ 2,735,069	830,866	975,999	977,230	900,199	924,322	1,033,154	1,181,906	2,007,916	2,649,337

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 2013-14 THROUGH 2022-23
(amounts expressed in thousands)

	Fiscal Year									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Expenses										
Governmental activities:										
General government	$ 165,556	169,604	179,608	161,937	174,713	201,781	193,085	195,548	174,831	255,607
Public assistance	629,196	639,831	655,225	677,572	690,787	692,159	688,348	709,042	733,858	821,921
Public protection	760,358	725,108	781,244	862,968	953,258	1,006,545	1,084,967	1,145,784	889,632	1,062,181
Health and sanitation	574,814	502,535	554,731	712,033	677,587	714,167	801,401	903,661	810,739	936,391
Public ways and facilities	152,956	152,186	172,931	161,596	165,056	173,551	171,290	137,447	176,375	197,513
Recreation and culture	37,150	34,771	38,951	37,050	45,305	41,833	49,902	41,593	42,941	52,201
Education	1,353	1,820	1,729	1,658	1,535	1,561	1,638	1,116	1,904	2,085
Interest and fiscal charges	122,597	125,603	109,019	106,431	102,065	104,203	94,672	78,271	67,058	58,808
Total governmental activities	2,443,980	2,351,458	2,493,438	2,721,245	2,810,306	2,935,800	3,085,303	3,212,462	2,897,338	3,386,707
Business-type activities:										
Airport	199,264	188,132	187,985	193,233	199,349	195,411	209,392	204,996	208,680	231,997
Solid Waste	59,117	59,774	60,357	67,078	75,770	78,402	93,532	96,778	95,808	109,285
Water Agency	55,586	55,923	55,824	60,695	61,270	62,005	59,902	64,997	61,935	67,312
Parking Enterprise	1,725	2,463	1,893	3,238	3,781	2,067	2,649	2,279	1,708	1,801
County Transit	1,696	2,204	2,124	2,406	2,212	2,425	2,677	2,545	2,808	2,885
Total business-type activities	317,388	308,496	308,183	326,650	342,382	340,310	368,152	371,595	370,939	413,280
Total primary government	$ 2,761,368	2,659,954	2,801,621	3,047,895	3,152,688	3,276,110	3,453,455	3,584,057	3,268,277	3,799,987
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	$ 118,633	169,287	152,760	122,521	96,765	99,530	97,762	114,780	107,292	106,393
Public assistance	6,541		11							267
Public protection	124,049	106,089	136,582	131,287	163,474	154,328	153,350	176,185	171,689	177,501
Health and sanitation	36,151	35,503	34,244	34,184	38,572	37,415	36,954	36,783	38,679	34,566
Public ways and facilities	79,336	57,397	56,088	55,997	68,807	75,339	83,813	102,909	110,482	123,014
Recreation and culture	12,915	12,808	21,799	18,169	12,114	12,080	14,178	13,727	14,246	11,799
Education	146									
Operating grants and contributions	1,225,662	1,223,283	1,214,579	1,366,484	1,402,804	1,416,772	1,531,492	1,511,575	1,601,501	1,828,897
Capital grants and contributions	40,793	18,210	42,248	21,461	42,584	29,327	33,580	30,828	29,901	55,303
Total governmental activities	$ 1,644,226	1,622,577	1,658,311	1,750,103	1,825,120	1,824,791	1,951,129	1,986,787	2,073,790	2,337,740

COUNTY OF SACRAMENTO
CHANGES IN NET POSITION
FISCAL YEARS 2013-14 THROUGH 2022-23
(amounts expressed in thousands)

	Fiscal Year									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Business-type activities:										
Charges for services:										
Airport	$ 160,647	177,244	187,829	196,086	204,638	212,783	195,773	171,773	232,166	255,834
Solid Waste	70,469	69,636	70,492	76,093	77,943	82,104	84,431	96,211	119,319	133,615
Water Agency	65,460	63,649	67,233	64,495	80,432	84,736	85,330	93,597	65,086	63,850
Parking Enterprise	2,995	3,001	2,909	3,014	2,830	3,028	2,628	2,232	2,241	2,440
County Transit	220	227	243	252	260	281	236	66	69	101
Operating grants and contributions	20,001	878	2,415	2,350	3,159	2,541	37,927	19,706	53,913	14,377
Capital grants and contributions	11,891	19,119	15,383	16,833	8,636	19,039	27,431	11,128	55,947	68,857
Total business-type activities	331,683	333,754	346,504	359,123	377,898	404,512	433,756	394,713	528,741	539,074
Total primary government	$ 1,975,909	1,956,331	2,004,815	2,109,226	2,203,018	2,229,303	2,384,885	2,381,500	2,602,531	2,876,814
Net (expense)/revenue										
Governmental activities	$ (799,754)	(728,881)	(835,127)	(971,142)	(985,186)	(1,111,009)	(1,134,174)	(1,225,675)	(823,548)	(1,048,967)
Business-type activities	14,295	25,258	38,321	32,473	35,516	64,202	65,604	23,118	157,802	125,794
Total primary government net expense	$ (785,459)	(703,623)	(796,806)	(938,669)	(949,670)	(1,046,807)	(1,068,570)	(1,202,557)	(665,746)	(923,173)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property	$ 398,364	425,477	447,437	463,975	490,856	525,232	535,799	574,282	618,235	661,728
Sales/Use taxes	73,686	74,171	82,762	82,453	86,146	96,730	114,323	121,066	180,102	171,604
Transient occupancy	3,860	4,534	4,335	5,845	6,583	6,699	5,055	5,240	6,660	5,748
Unrestricted investment earnings	13,348	13,857	18,291	17,024	10,678	30,907	28,394	15,151	(371)	64,178
Grants and contrib. not restricted to specific programs	234,422	287,041	285,041	257,252	251,839	264,231	351,657	474,453	636,048	588,307
Pledged tobacco settlement	12,493	12,368	12,229	12,577	15,016	14,555	20,931	16,650	17,690	14,672
Miscellaneous	78,304	51,966	86,600	95,586	113,475	118,482	108,527	141,114	35,640	34,301
Transfers	4,981	5,178	4,721	5,003	6,506	6,474	6,708	7,042	7,267	6,166
Total general revenues and transfers	$ 819,458	874,592	941,416	939,715	981,099	1,063,310	1,171,394	1,354,998	1,501,271	1,546,704

COUNTY OF SACRAMENTO
CHANGES IN NET POSITION
FISCAL YEARS 2013-14 THROUGH 2022-23
(amounts expressed in thousands)

	Fiscal Year									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Business-type activities:										
Sales/Use taxes	$ 581	687	1,412	561	802					
Unrestricted investment earnings				4,627	6,082	14,094	12,716	3,353	(2,248)	24,056
Grants and contrib. not restricted to specific programs	1,973	1,473	3,832							
Transfers	(4,981)	(5,178)	(4,721)	(5,003)	(6,506)	(6,474)	(6,708)	(7,042)	(7,267)	(6,166)
Total general revenues and transfers	(2,427)	(3,018)	523	185	378	7,620	6,008	(3,689)	(9,515)	17,890
Total primary government	$ 817,031	871,574	941,939	939,900	981,477	1,070,930	1,177,402	1,351,309	1,491,756	1,564,594
Changes in net position										
Governmental activities	$ 19,704	145,711	106,289	(31,427)	(4,087)	(47,699)	37,220	129,323	677,723	497,737
Business-type activities	11,868	22,240	38,844	32,658	35,894	71,822	71,612	19,429	148,287	143,684
Total primary government	$ 31,572	167,951	145,133	1,231	31,807	24,123	108,832	148,752	826,010	641,421

COUNTY OF SACRAMENTO
FUND BALANCES OF GOVERNMENTAL FUNDS
FISCAL YEARS 2013-14 THROUGH 2022-23
(amounts expressed in thousands)

	Fiscal Year									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
General fund										
Nonspendable	$ 32,640	30,837	27,857	51,167	36,478	18,319	15,936	24,329	41,852	50,821
Restricted	205,789	232,455	212,353	244,324	255,118	261,069	233,500	249,171	347,262	370,465
Assigned			9,780			75,303	123,259	204,828	170,730	236,882
Unassigned	(38,992)	(13,462)	24,931	37,267	76,162		62,205	54,923	164,719	109,371
Total general fund	$ 199,437	249,830	274,921	332,758	367,758	354,691	434,900	533,251	724,563	767,539
All other governmental funds										
Special revenue funds										
Nonspendable	$ 10,467	902	691							
Restricted	191,743	198,744	210,529	213,732	237,582	244,041	259,031	289,024	339,457	392,850
Debt service funds										
Restricted	105,644	101,784	89,851	87,466	87,913	70,601	67,945	57,667	54,780	55,760
Capital projects funds										
Restricted	44,096	44,207	74,799	94,291	97,369	103,835	109,602	114,542	127,045	214,448
Total all other governmental funds	$ 351,950	345,637	375,870	395,489	422,864	418,477	436,578	461,233	521,282	663,058

COUNTY OF SACRAMENTO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FISCAL YEARS 2013-14 THROUGH 2022-23
(amounts expressed in thousands)

	Fiscal Year									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Revenues										
Taxes	$ 475,910	504,182	534,534	552,273	583,585	628,661	655,177	700,588	804,997	839,080
Use of money and property	13,347	13,843	18,212	16,970	10,937	29,960	25,523	15,394	2,564	62,866
Licenses and permits	50,032	56,766	61,423	66,241	71,853	63,338	65,511	86,176	76,472	72,026
Intergovernmental	1,524,291	1,546,630	1,601,586	1,654,188	1,685,673	1,684,433	1,925,701	1,977,677	2,256,029	2,464,300
Charges for sales and services	249,034	244,887	269,695	257,641	269,158	274,573	288,442	313,193	327,276	346,149
Fines, forfeitures, and penalties	43,723	43,041	37,600	38,276	38,721	40,781	32,104	43,625	38,571	35,500
Pledged tobacco settlement	12,493	12,368	12,229	12,577	15,016	14,555	13,954	15,751	17,044	15,463
Contributions and donations			24,167	7,025	12,626	6,037		4,007		37,239
Miscellaneous	77,392	86,346	81,427	95,586	113,475	115,218	108,527	140,753	35,485	35,098
Total revenues	2,446,222	2,508,063	2,640,873	2,700,777	2,801,044	2,857,556	3,114,939	3,297,164	3,558,438	3,907,721
Expenditures										
General government	142,581	151,271	165,999	151,713	154,698	190,191	176,569	180,464	190,843	265,652
Public assistance	621,588	656,873	663,373	671,766	673,167	675,857	671,279	685,610	754,437	842,654
Public protection	718,386	753,721	797,866	817,939	860,247	918,419	971,533	1,007,918	1,050,490	1,166,694
Health and sanitation	564,824	522,894	559,977	610,859	655,842	693,869	778,957	871,488	841,339	965,090
Public ways and facilities	151,269	137,724	135,948	137,106	143,330	138,291	152,750	157,358	174,714	188,000
Recreation and culture	34,650	35,368	34,869	35,641	40,990	39,132	41,667	38,617	44,216	54,014
Education	1,025	1,604	1,286	1,422	1,487	1,367	1,553	1,518	1,618	1,617
Capital outlay	40,629	35,754	59,080	36,974	51,992	37,196	55,380	53,407	47,119	58,413
Debt service:										
Principal	72,695	69,242	67,346	55,263	60,668	111,160	117,773	132,148	177,913	193,231
Bond issuance cost	867					275		2,692		632
Interest and fiscal charges	125,196	137,656	135,661	138,928	141,405	93,778	86,930	74,200	68,373	60,117
Total expenditures	2,473,710	2,502,107	2,621,405	2,657,611	2,783,826	2,899,535	3,054,391	3,205,420	3,351,062	3,796,114
Excess (deficiency) of revenues over (under) expenditures	$ (27,488)	5,956	19,468	43,166	17,218	(41,979)	60,548	91,744	207,376	111,607

COUNTY OF SACRAMENTO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FISCAL YEARS 2013-14 THROUGH 2022-23
(amounts expressed in thousands)

	Fiscal Year									
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
Other financing sources (uses)										
Transfers in	$ 187,577	184,765	174,485	169,793	186,135	181,761	182,066	199,160	230,428	245,546
Transfers out	(156,053)	(167,637)	(158,151)	(152,894)	(159,219)	(164,981)	(164,943)	(181,740)	(212,613)	(230,177)
Issuance of long-term debt	135,060	20,996	19,522	17,391	18,241	20,372	20,639	25,131	26,170	56,962
Refunding of debt issued						89,125		263,207		180,740
Premiums on debt issued						11,659		38,224		445
Discount on debt issued	(2,180)									
Payment to refunded bonds escrow agent	(108,850)					(113,411)		(312,720)		(180,371)
Total other financing sources (uses)	55,554	38,124	35,856	34,290	45,157	24,525	37,762	31,262	43,985	73,145
Changes in fund balances	$ 28,066	44,080	55,324	77,456	62,375	(17,454)	98,310	229,820	251,361	184,752
Debt service as a percentage of noncapital expenditures	9.38 %	9.16 %	8.60 %	7.63 %	7.52 %	7.26 %	6.94 %	6.75 %	7.65 %	6.92 %

COUNTY OF SACRAMENTO
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
FISCAL YEARS 2013-14 THROUGH 2022-23
(full accrual basis)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales/Use Tax	Transient Occupancy Tax	Total
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
2019-20	535,799	114,323	5,055	655,177
2020-21	574,282	121,066	5,240	700,588
2021-22	618,235	180,102	6,660	804,997
2022-23	661,728	171,604	5,748	839,080

COUNTY OF SACRAMENTO
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
FISCAL YEARS 2013-14 THROUGH 2022-23
(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]
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
2019-20	171,771,317	7,456,729	1,544,478	(7,575,239)	173,197,285	1.000
2020-21	182,060,623	7,870,485	1,559,767	(8,083,004)	183,407,871	1.000
2021-22	191,976,450	7,783,171	1,628,844	(8,384,119)	193,004,346	1.000
2022-23	207,135,834	8,592,387	1,836,685	(8,982,942)	208,581,964	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, equipment, 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 provide property tax relief 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 2013-14 THROUGH 2022-23
(rate per $100 of assessed value)

Fiscal Year	Basic Tax Rate	Overlapping General Obligation Bonds Rates			
	Countywide[A]	Cities[B]	Special Districts[C]	Schools[D]	Total County Average Tax Rate
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
2019-20	1.000		0.0128	0.0615	1.0743
2020-21	1.000		0.0193	0.0581	1.0774
2021-22	1.000		0.0138	0.0580	1.0718
2022-23	1.000		0.0171	0.0567	1.0738

A) In June 1978 California voters 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, 2023 AND JUNE 30, 2014
(amounts expressed in thousands)

	June 30, 2023			June 30, 2014		
Taxpayer	Tax Levy[A]	Rank	Percentage of Total Tax Levy	Tax Levy[B]	Rank	Percentage of Total Tax Levy
Pacific Gas & Electric Co.	$ 20,270	1	1.02 %	$ 7,292	1	0.67 %
Intel Corporation	8,888	2	0.45	6,005	3	0.55
Oakmont Properties	7,636	3	0.38			
BRE Delta Industrial Sacramento	6,925	4	0.35			
NP Sacramento	6,833	5	0.34			
AT&T Communications	6,800	6	0.34	7,247	2	0.66
Metro Land Ownership	6,304	7	0.32			
PW Fund	5,959	8	0.30			
MP Holdings LLC	5,893	9	0.30	5,395	5	0.49
Conrad Ethan	5,644	10	0.20			
Hines Interests, LP				5,837	4	0.53
Cummings Trust				4,724	6	0.43
Walmart				4,435	7	0.41
Westcore Delta, LLC				4,371	8	0.40
Donahue Schriber Realty Group				3,898	9	0.36
Surewest				2,978	10	0.27

(A) Tax levy amount provided by Tax and Licensing Division

(B) FY 2013-14 County Annual Comprehensive Financial Report

COUNTY OF SACRAMENTO
COUNTY-WIDE 1 PERCENT - SECURED AND UNITARY
PROPERTY TAX LEVIES AND COLLECTIONS
FISCAL YEARS 2013-14 THROUGH 2022-23
(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]
2013-14	$1,160,120	$ 1,146,609	98.84	$ 13,481	$ 1,160,089	99.99
2014-15	1,233,891	1,221,411	98.99	12,429	1,233,840	99.99
2015-16	1,288,948	1,278,225	99.17	10,644	1,288,869	99.99
2016-17	1,359,759	1,349,089	99.22	10,524	1,359,613	99.99
2017-18	1,453,162	1,441,490	99.20	11,367	1,452,857	99.98
2018-19	1,550,474	1,538,104	99.20	11,730	1,549,834	99.96
2019-20	1,651,294	1,635,289	99.03	14,498	1,649,787	99.91
2020-21	1,750,891	1,736,895	99.20	10,590	1,747,485	99.81
2021-22	1,847,955	1,835,060	99.30	6,357	1,841,417	99.65
2022-23	1,996,826	1,979,782	99.15		1,979,782	99.15

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 within 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 FY 2022-23, includes revised estimates for FY 2014-15 and FY 2020-21 (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 2013-14 THROUGH 2022-23
(amounts expressed in thousands, except per capita amount)

	Governmental Activities								Business-Type Activities								
Fiscal Year	Certificates of Participation	Teeter Notes	Pension Obligation Bonds[G]	Revenue Bonds	Financed Purchase Obligations[D]	Lease Liability[E]	SBITA Liability[F]	Other Debt	Revenue Bonds	PFC and Subordinate Revenue Bonds	Certificates of Participation	Lease Liability[E]	SBITA Liability[F]	Other Debt[A, C, H]	Total Primary Government	Percentage of Personal Income[B]	Per Capita[B]
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
2019-20	160,992	21,131	847,507	328,401	23,652			691	976,833	251,057				4,504	2,614,768	3.05 %	1,685
2020-21	144,570	22,523	759,097	321,059	22,503			2,838	943,334	243,658				2,369	2,461,951	2.71 %	1,578
2021-22	133,097	22,151	659,798	309,805	17,600	297,937		2,393	975,582	236,035		11,460		7,461	2,673,319	2.72 %	1,682
2022-23	131,554	22,273	550,534	299,422	32,198	286,854	16,011	2,738	956,424	228,127		12,218	720	47,145	2,586,218	2.64 %	1,629

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 FY 2013-14 through FY 2015-16 to include SMUD Water Rights.

B) Revised estimates for FY 2013-14 through FY 2015-16 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.

D) Revised header name in FY 2021-22 due to GASB 87 implementation, in prior years this was labeled Capital Leases

E) First year reporting Lease Liability in FY 2021-22 due to GASB Statement No. 87, *Leases*

F) First year reporting SBITA Liability in FY 2022-23 due to GASB Statement No. 96, *Subscription-Based Information Technlogy Arrangements (SBITA)*

G) Includes Pension Obligation Bonds - Direct Placement Bonds beginning FY 2022-23

H) First year reporting Loan Agreements and Revolving Line of Credit in FY 2022-23.

COUNTY OF SACRAMENTO
LEGAL DEBT MARGIN INFORMATION
FISCAL YEARS 2013-14 THROUGH 2022-23
(amounts expressed in thousands)

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Assessed Value of Property	$122,505,185	130,274,313	136,123,278	143,368,927	152,390,356	162,630,815	173,197,285	183,407,871	193,004,346	208,581,964
Debt Limit, 1.25% of Assessed Value (Statutory Limitation)	1,531,315	1,628,429	1,701,541	1,792,112	1,904,879	2,032,885	2,164,966	2,292,598	2,412,554	2,607,275
Amount of Debt Applicable to Limit:										
General Obligations Bonds										
Less: Resources Restricted to Paying Principal										
Total net debt applicable to limit										
Legal debt margin	$ 1,531,315	1,628,429	1,701,541	1,792,112	1,904,879	2,032,885	2,164,966	2,292,598	2,412,554	2,607,275
Total net debt applicable to the limit as a percentage of the limit[3]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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.
3) Total net debt applicable to the limit as a percentage of the limit was changed from 100 to N/A for FY 2013-14 though FY 2021-22 as we do not have any debt applicable to the limit.

Source: County's internal documents and financial statements

COUNTY OF SACRAMENTO
PLEDGED-REVENUE COVERAGE
FISCAL YEARS 2013-14 THROUGH 2022-23
(amounts expressed in thousands)

Airport Revenue Bond Coverage

Fiscal Year		Gross Revenue[A]	Less: Operating Expenses[B]	Net Revenue	Debt Service Requirements[C] Principal	Interest	Coverage
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
2019-20		209,665	121,588	88,077	15,760	31,099	1.88
2020-21		170,588	119,402	51,186		27,581	1.86
2021-22		252,524	124,908	127,616		26,621	4.79
2022-23		245,894	146,734	99,160		25,746	3.85

Water Agency Revenue Bond Coverage[D]

Fiscal Year		Gross Revenue[E]	Less: Operating Expenses	Net Revenue	Debt Service Requirements[C] Principal	Interest	Coverage
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
2019-20		88,012	29,156	58,856	11,890	11,268	2.54
2020-21		94,068	32,456	61,612	9,870	12,225	2.79
2021-22		108,485	34,160	74,325	10,350	11,725	3.37
2022-23		108,916	38,743	70,173	10,875	11,218	3.18

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 including transfers out, but excluding depreciation and amortization.

C) Includes principal and interest of revenue bonds only.

D) Water Agency revenue bonds were issued May 9, 2007, October 31, 2019, and February 1, 2022.

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, 2023 AND 2014

	June 30, 2023			June 30, 2014		
Employer	Employees(A)	Rank	Percentage of Total County Employment	Employees(B)	Rank	Percentage of Total County Employment
UC Davis Health System	16,075	1	2.30 %			
Kaiser Permanente	10,934	2	1.56	9,109	2	1.47 %
Sutter / California Health Services	9,350	3	1.33	9,494	1	1.53
Dignity / Mercy Healthcare	7,353	4	1.05	7,397	3	1.19
Intel Corporation	5,000	5	0.71	6,000	5	0.97
Raley's Inc./Bel Air	2,756	6	0.39	6,240	4	1.01
Siemens Mobility Inc.	2,500	7	0.36			
Safeway	1,874	8	0.27			
Golden 1 Credit Union	1,776	9	0.25			
Pacific Gas and Electric Co.	1,370	10	0.20			
Wells Fargo & Co.				3,249	6	0.52
Hewlett-Packard				3,200	7	0.52
Cache Creek Casino Resort				2,400	8	0.39
Health Net of California				2,358	9	0.38
VSP Global				2,223	10	0.36
Total	58,988		8.42 %	51,670		8.34 %

Note:

(A) Sources: Sacramento Business Journal Annual Book of Lists Current Year

(B) Source: FY 2014 Sacramento County Annual Comprehensive Financial Report

COUNTY OF SACRAMENTO
DEMOGRAPHIC AND ECONOMIC STATISTICS
FISCAL YEARS 2013-14 THROUGH 2022-23
(amounts expressed in thousands except per capita amount)

Fiscal Year	Population[A]	Personal Income	Per Capita Personal Income[B]	School Enrollment	Unemployment Rate[C]
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 %
2019-20	1,552	85,775,621	55,266	250	3.7 %
2020-21	1,559	90,908,707	58,307	246	9.3 %
2021-22	1,589	98,241,828	61,829	243	7.0 %
2022-23	1,588	98,105,641	61,775	248	3.9 %

Note:

All dollar estimates are in current dollars which are not adjusted for inflation.

Estimates updated November 16, 2023, include new estimates for FY 2021-22 and revised estimates for FY 2013-14 through FY 2020-21, which may not be consistent with prior reported figures.

A) Census Bureau mid-year population estimates. Estimates for FY 2013-14 through FY 2021-22 reflect County population estimates available as of March 2022.

B) Per capita personal income was computed using Census Bureau mid-year population estimates. Estimates for FY 2014-2022 reflect County population estimates available as of March 2023.

C) Unemployment rate reflects the March 2023 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 2013-14 THROUGH 2022-23

	Full-Time Equivalent Employees as of June 30th									
Function	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
General Government	1,076	894	895	912	905	853	846	832	792	841
Public Assistance	2,165	2,179	2,239	2,259	2,224	2,103	2,018	2,005	2,026	2,114
Public Protection	3,591	3,806	3,948	3,960	3,952	4,280	4,231	4,223	4,268	4,448
Health and Sanitation	1,952	1,952	2,057	2,181	2,156	2,230	2,178	2,187	2,195	2,328
Recreation and Culture	137	138	154	134	157	164	140	125	130	143
Education	1	1								
Public Ways and Facilities		271	277	257	246	244	246	239	235	242
Non-Governmental					11	12	12	12	12	12
Total	8,922	9,241	9,570	9,703	9,651	9,886	9,671	9,623	9,658	10,128

Source: County of Sacramento Department Records - Governmental Type Employees Only (Excludes Business Type and Dependent Special District Employees)

COUNTY OF SACRAMENTO
OPERATING INDICATORS BY FUNCTION
FISCAL YEARS 2013-14 THROUGH 2022-23

Function	Fiscal Year 2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
General Government										
Assessor:										
Number of parcels assessed	501,887	503,717	505,436	505,076	508,941	504,653	509,959	514,745	517,407	522,902
Gross total of secured roll (in thousands)	120,409,431	128,067,747	134,202,599	141,838,766	151,097,866	161,271,858	171,708,882	181,977,314	191,921,172	207,080,796
Gross total of unsecured roll (in thousands)	5,902,161	6,430,072	6,488,685	6,220,235	6,450,239	6,909,322	7,456,729	7,870,485	7,783,171	8,592,387
Clerk Recorder:										
Number of recorded documents	326,097	355,598	362,930	383,763	369,638	336,384	393,676	520,007	411,200	251,679
Public Assistance										
Human Assistance total caseload	216,504	293,840	330,167	328,585	318,056	314,269	333,993	361,402	411,022	432,273
Percent served of children in poverty	81	66	61	61	62	62	58	56	52	52
Housing services provided[A]	2,457	2,203	2,069	1,812	2,319	2,349	1,855	2,923	2,807	2,615
Employee non-exempt recipients CalWORKs	45	47	52	67	59	61	61	49	54	50
Public Protection										
District Attorney:										
Filed felonies	9,342	8,496	8,854	8,641	9,077	8,294	8,027	9,292	8,760	8,228
Filed misdemeanors	13,539	14,553	15,164	14,397	13,342	14,514	13,036	11,780	12,130	10,861
Filed probation violations	1,939	1,785	1,517	1,785	1,884	1,856	1,112	304	318	220
Probation:										
Cases supervised[B]	28,402	27,939	28,246	28,383	27,701	26,688	24,261	23,172	20,484	17,379
Institutional care for minors (days)[C]	69,339	69,696	62,776	50,237	46,760	43,535	41,023	36,616	42,992	57,372
Juvenile referrals processed	8,105	6,605	5,519	4,520	3,693	3,086	2,794	2,105	2,161	2,692
Prepared adult sentencing reports[B, D, E, F]	6,209	9,081	9,604	11,255	13,999	18,227	20,599	30,950	32,607	17,745
Public Defender:										
Felony Unit jury trials	147	159	161	199	133	141	81	56	45	102
Sheriff:										
Emergency calls for service:										
Priority 1	3,785	4,095	4,070	4,450	4,311	4,319	4,345	4,766	4,583	4,500
Emergency response time (minutes):										
Priority 1	12	12	13	12	11	11	11	12	15	15
Processed and booked adult offenders	19,991	20,292	20,538	15,824	21,616	19,107	10,627	8,181	6,832	5,977
Physical arrests	23,856	23,733	24,441	18,785	24,928	21,659	12,611	10,654	8,522	8,484
Total miles patrolled by Sheriffs	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.
B) Due to restructuring, the County now has the capacity to report on data and critical workload that previously was unable to be captured and quantified.
C) California Department of Rehabilitation Division of Juvenile Justice (DJJ) released youth back to local jurisdictions 9/30/2021, full closure 6/30/2023. Institutional care days increase due to commitments.
D) Beginning in FY 2016-17, Restitution Determination and Recommendation reports for Adult Sentencing replaced LSCMI assessments which are no longer conducted at Adult Court.
E) Beginning 1/1/2018 Firearm Possession and relinquishment reports are captured.
F) Pretrial Release Unit reports are captured begnning FY 2019-20.

Source: County of Sacramento Department Records

COUNTY OF SACRAMENTO
OPERATING INDICATORS BY FUNCTION
FISCAL YEARS 2013-14 THROUGH 2022-23

Function	Fiscal Year 2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Health and Sanitation										
Patient treatments at Public Health clinics	48,229	20,751	19,700	23,613	29,791	30,532	43,170	35,808	59,501	49,127
Training:										
Programs in compliance (by inspection)[F, G, H]	27	95	100	100	100	100	95	Unknown	80	100
Public Ways and Facilities										
Number of traffic signs resent and replaced	12,952	14,909	13,910	16,129	8,635	7,099	6,914	10,204	7,810	5,665
Square feet of graffiti removed or abated	136,989	185,195	205,084	131,490	129,600	200,587	152,281	287,881	237,079	212,085
Recreation and Culture										
Number of individuals who use Parks' golf services	164,579	163,722	157,095	131,248	147,029	142,048	168,110	204,230	186,610	158,259
Education										
Library:										
Total circulation[I]	7,113,116	7,339,735	7,480,731	7,064,066	7,573,185	8,112,087	7,000,665	5,464,352	7,266,036	7,732,460
Library cards issued	64,686	66,835	63,384	60,535	100,733	142,678	69,715	22,796	69,256	102,405
Total library cards in use	665,840	656,423	651,636	692,508	706,452	771,503	766,505	692,074	699,101	720,073
Library visits	4,144,307	4,183,751	4,252,802	3,625,829	3,667,015	3,712,147	2,653,910	369,551	1,148,709	1,927,032
Airport										
Number of commercial airlines	11	11	10	10	11	16	16	16	17	14
Number of flights	46,871	46,621	48,627	50,551	55,879	60,082	57,541	43,076	58,735	62,868
Number of enplaned passengers	4,376,237	4,628,597	4,943,185	5,198,184	5,761,586	6,298,447	4,941,040	3,210,164	5,793,732	6,444,324
Solid Waste										
Percent of diversion/recycled waste	73	74	73	70	68	63	66	68	68	70
Tons disposed	596,972	623,824	657,247	747,704	796,946	890,301	946,063	943,258	920,989	845,995
Water Agency										
Water supply:										
Number of water connections	51,652	52,400	53,439	54,464	55,178	56,137	57,541	58,890	60,004	61,348
Water delivered (acre feet)	41,045	35,112	31,174	35,079	39,750	39,750	43,842	48,555	43,874	43,490
Storm Water Utilities										
Drainage:										
Mainline and lateral pipes cleaned (miles)	66	66	119	84	107	133	84	58	47	6
Parking Enterprise										
Daily public parking (count)	131,163	136,440	151,629	149,112	135,932	116,094	92,848	36,714	54,755	77,313
Monthly parking passes issued to County employees (count)	17,580	17,652	17,640	18,216	21,180	20,676	17,683	17,839	16,673	16,819
Outside agency usage	10,021	8,995	7,792	4,555	4,551	4,040	3,201	746	2,185	2,588
County Transit										
Total passengers	103,469	105,587	111,016	107,217	103,992	105,479	82,582	29,622	35,807	31,595
Total days	250	250	252	251	251	249	249	253	254	251
Average daily passengers	414	422	441	427	414	424	332	117	141	126

F) Non Mandated inspections suspended due to budget/staff reductions. Program rebuilding measures are underway.
G) COVID-19 interrupted inspections. Note relates to programs in compliance (by inspection) FY 2020-21.
H) Three (of fifteen) ALS providers are non-compliant and on monthly check-in. Note relates to programs in compliance (by inspection) FY 2021-22.
I) Books loaned and audio visual media loaned statistics are combined.

Source: County of Sacramento Department Records

COUNTY OF SACRAMENTO
CAPITAL ASSET STATISTICS BY FUNCTION
FISCAL YEARS 2013-14 THROUGH 2022-23

	Fiscal Year									
Function	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
Public Protection										
Sheriff:										
Administrations buildings	1	1	1	1	1	1	1	1	1	1
Aircrafts										
Operational	5	5	5	5	5	5	5	5	5	4
Non-Operational										1
Fixed Wing										
Sheriff	1								1	1
CAL-MMET	2	2	2	2	2	2	2	2	1	1
Community service centers	5	6	7	8	8	8	9	8	7	6
Jail and detention facilities	2	2	2	2	2	2	2	2	2	2
Patrol Units	328	328	386	385	409	397	410	411	397	401
Stations	3	3	3	3	3	3	3	3	3	3
Health and Sanitation										
Clinics	1	1	1	1	1	1	1	1	1	1
Mental Health Treatment										
Clinics	1	1	1	1	1	1	1	1	5	5
Public Ways and Facilities										
Centerline miles of roads maintained	2,202	2,202	2,200	2,203	2,202	2,208	2,208	2,209	2,214	2,215
Traffic signals	459	461	466	473	476	505	508	511	512	515
Recreation and Culture										
Number of golf courses	4	4	4	4	4	4	4	4	4	3
Number of developed parks	38	38	38	38	38	38	38	38	38	38
Developed parks acreage	15,187	15,189	15,189	15,189	15,189	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 2013-14 THROUGH 2022-23

Function	Fiscal Year									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Airport										
Airports	4	4	4	4	4	4	4	4	4	4
Licensed vehicles:										
Cars and light trucks	159	168	205	201	189	182	183	188	189	190
Busses	32	32	51	42	28	33	33	31	35	41
Solid Waste										
Number of collection trucks	109	108	100	100	100	100	100	106	116	137
Number of landfills	3	3	3	3	3	3	3	3	3	3
Water Agency										
Water Supply:										
Water mains (miles)	785	797	805	812	829	851	880	864	889	909
Storage capacity (thousands of gallons)	61,900	61,900	61,900	61,900	61,600	61,600	61,600	61,700	61,700	61,700
Drainage:										
Drainage inlets	37,669	38,841	38,651	38,425	37,262	37,145	37,947	38,155	37,957	38,184
Drainage manholes	22,793	23,544	23,573	23,589	23,127	23,302	23,808	24,173	24,189	24,353
Drainage pipes (miles)	1,276	1,359	1,353	1,341	1,293	1,293	1,313	1,326	1,308	1,327
Parking Enterprise										
Structures	2	2	2	2	2	2	2	2	2	2
County Transit										
Number of buses	15	16	17	18	18	18	18	19	19	19

Source: County of Sacramento Department Records

This page intentionally left blank

ANNUAL COMPREHENSIVE 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, 2023

This meets the County of Sacramento Annual Continuing Disclosure filing required as of December 31, 2023, in compliance with the County's Continuing Disclosure Agreements. The information herein speaks only as of the issuance date of this Annual Comprehensive Financial Report 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 System 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, 2023)

Average Daily Balance	$6,400,335,003
Period-End Balance	$6,324,207,841
Yield	4.516%
Weighted Average Maturity	305 Days
Duration in Years	0.757 Years
Historical Cost	$6,320,174,342
Fair Value	$6,281,451,601
Percent of Fair Value to Cost	99.39%

REQUIRED TABLES

General Fund Adopted Budget[1]
(amounts expressed in thousands)

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
APPROPRIATIONS				
Reserve Increase	$ 51,669	150,510	221,174	126,553
General Government	439,239	502,890	129,348	91,082
Public Protection	1,264,079	1,371,438	1,528,718	1,612,710
Health and Sanitation	672,092	664,813	746,909	934,215
Public Assistance	530,908	620,587	1,003,141	1,037,167
Education, Cultural and Recreation	28,228	32,448	40,336	43,306
Contingencies	1,120	17,146	42,499	52,903
TOTAL APPROPRIATIONS	$ 2,987,335	3,359,832	3,712,125	3,897,936
AVAILABLE FUNDS				
Beginning Appropriated Fund Balance/Carryover	$ 217,084	365,134	394,256	316,664
Equity Transfer In	418	100	377	50
Reserve Cancellation	28,019	5,050	3,374	45,840
Taxes	649,686	698,594	778,899	821,867
Licenses and Permits	10,821	11,315	11,632	11,081
Fines, Forfeitures and Penalties	22,123	21,406	20,746	19,461
Realignment	600,465	699,206	794,979	781,493
Proposition 172	116,052	146,537	174,267	177,199
Mental Health Services	78,736	87,944	115,768	207,264
Clerk/Recorder Fees	3,080	3,009	3,009	2,564
Use of Money and Property	5,319	6,744	7,647	16,821
Aid from Other Government Agencies (state and federal)	1,053,761	1,135,788	1,223,724	1,319,925
Charges for Current Services	131,130	123,072	138,198	140,776
Other Revenues	70,641	55,933	45,249	36,931
TOTAL AVAILABLE FUNDS	$ 2,987,335	3,359,832	3,712,125	3,897,936

[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
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 %
2020-21	189,847,799	5.96 %
2021-22	199,704,342	5.19 %
2022-23	215,673,183	8.00 %
2023-24	231,698,751	7.43 %

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
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 %
2019-20	1,651,294	16,005	0.97 %	1,635,289	99.03 %
2020-21	1,750,891	13,996	0.80 %	1,736,895	99.20 %
2021-22	1,874,955	12,894	0.69 %	1,835,060	99.31 %
2022-23	1,996,826	17,044	0.86 %	1,929,782	99.15 %

1) Includes prior years' redemption, penalties and interest.

COUNTY OF SACRAMENTO
Largest Secured Taxpayers FY 2023-24
(includes levies for bond debt service and special assessments)

Taxpayer	Amount
Pacific Gas & Electric Co.	$ 23,866,798
Intel Corporation	8,787,136
PW Fund	7,815,913
Oakmont Properties	7,710,919
NP Sacramento	7,504,861
BRE Delta Industrial Sacramento	7,170,526
AT&T Communications	6,553,224
MP Holdings LLC	6,110,208
Conrad Ethan	6,067,926
Metro Land Ownership	4,887,124
Total (represents 3.01 percent secured tax roll levy):	$ 86,474,635

COUNTY OF SACRAMENTO
Total General Fund Revenues, Expenditures and Changes in Fund Balance FY 2018-19 through FY 2022-23
(amounts expressed in thousands)

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Beginning Fund Balance	$ 367,758	354,691	434,900	533,251	724,563
Revenues					
Taxes	587,675	611,245	657,123	744,507	770,676
Use of money and property	12,073	10,470	9,959	2,178	34,419
Licenses and permits	11,460	11,161	11,529	12,630	11,849
Intergovernmental	1,590,790	1,817,146	1,862,804	2,108,837	2,297,752
Charges for sales and services	129,071	131,450	151,125	133,171	131,897
Fines, forfeitures and penalties	28,745	21,999	26,119	21,829	21,699
Miscellaneous	62,037	55,170	92,439	29,282	28,257
Total Revenues	2,421,851	2,658,641	2,811,098	3,052,434	3,296,549
Transfers in	10,882	9,432	16,257	19,269	12,748
Issuance of long-term debt				3,203	23,504
Total Revenues and Transfers	2,432,733	2,668,073	2,827,355	3,074,906	3,332,801
Expenditures					
General government	121,310	126,161	132,413	137,717	195,979
Public assistance	675,857	671,279	668,157	754,437	842,654
Public protection	849,736	899,142	935,849	971,907	1,068,499
Health and sanitation	655,505	743,011	829,250	797,834	924,451
Recreation and culture	22,007	22,671	22,619	25,105	29,755
Education	389	422	433	436	451
Debt Service:					
Principal				30,008	33,811
Interest and fiscal charges				3,623	3,318
Total Expenditures	2,324,804	2,462,686	2,588,721	2,721,067	3,098,918
Transfers out	120,996	125,178	132,532	162,527	190,907
Total Expenditures and Transfers	2,445,800	2,587,864	2,721,253	2,883,594	3,289,825
Net change in fund balance	(13,067)	80,209	106,102	191,312	42,976
Ending Fund Balance	$ 354,691	434,900	541,002	724,563	767,539

COUNTY OF SACRAMENTO
Financing Obligations

As of July 1, 2023

Series	Project(s)	Amount Issued	Principal Amount Outstanding	Fiscal Year Final Maturity	County Liability
2003 Certificates of Participation; dated 06/19/03	Juvenile Courthouse	$ 36,150,000	$ 20,165,000	2035	100%
1999 River City Regional Stadium Financing Authority, Taxable Lease Revenue Bonds	River Cats Stadium	39,990,000	18,675,000	2030	66% (if ticket receipts insufficient)
2018 COP Refunding	Coroner/Crime Lab; Data Center; Fleet Maintenance Building	89,125,000	62,100,000	2034	100%
2020 COP Refunding	Rio Cosumnes Correctional Center	27,080,000	22,070,000	2030	100%
2019 Key Government Finance, Inc. Master Lease	CISCO Systems Equipment Lease	15,650,124	3,934,609	2024	100%
2013 Motorola SmartZone Radio System Lease	Motorola Systems Equipment Lease	3,771,410	357,110	2024	100%
2015 Motorola Radio System Lease	Motorola Systems Equipment Lease	13,662,797	4,500,374	2026	100%
2020 Motorola Microwave	Motorola Systems Equipment Lease	3,463,701	2,280,510	2025	100%
2023 DTECH Cisco	CoSwan Network	21,999,968	17,854,854	2028	100%

COUNTY OF SACRAMENTO
Pension Obligation Bonds

As of July 1, 2023

Series	Purpose	Amount Issued	Principal Amount Outstanding	Fiscal Year Final Maturity	Anticipated General Fund Payment Percent
County of Sacramento Taxable Pension Obligation Bonds, Series 2003B[1]	Partially Refund Series 1995A	$ 97,441,330	$ 38,921,000	2024	75%
County of Sacramento Taxable Pension Funding Bonds, Refunding Series 2008	Refund Series 2004C-1	359,165,000	87,325,000	2027	75%
County of Sacramento Taxable Pension Bonds, Series 2011A	Refund Series 1995B,C	183,365,000	58,260,000	2024	75%
County of Sacramento Taxable Pension Bonds, Series 2011B	Refund Series 2009	73,875,000	73,875,000	2025	75%
County of Sacramento Taxable Pension Bonds, Series 2013	Refund Series 2004C-3	111,960,000	111,960,000	2026	75%
County of Sacramento Taxable Pension Bonds - Direct Placement, Series 2023	Refund Series 2008 (2030 Maturity Only)	180,740,000	180,740,000	2031	75%

[1] Series 2003B amounts outstanding reflect fully accreted value of capital appreciation bonds. Full accretion date and conversion to current interest for the 2003B Series occurred 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 resets 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, 2023
(amounts expressed in thousands)

Description	Original Loan Amount	Principal Amount Outstanding	Final Maturity
Sacramento County (Teeter Plan)	$ 20,372	717	08/01/2023
Sacramento County (Teeter Plan)	20,639	1,660	08/01/2024
Sacramento County (Teeter Plan)	25,131	2,990	08/01/2025
Sacramento County (Teeter Plan)	22,967	5,022	08/01/2026
Sacramento County (Teeter Plan)	23,416	11,884	08/01/2027

COUNTY OF SACRAMENTO
County of Sacramento Aggregate Debt Service
Current Outstanding Debt-Certificates of Participation Only
(includes principal and interest)
As of July 1, 2023

Period Ending June 30	Series 2003 Juvenile Court COPs	Series 2018A Refunding COPs	Series 2018B Refunding COPs	Series 2020 Refunding COPs	County's Portion of Series 1999 Lease Revenue Bonds[1]	Fiscal Year Total
2024	$ 2,215,450	4,870,500	4,791,375	3,736,000	2,340,980	17,954,305
2025	2,214,281	4,871,000	4,791,000	3,737,500	2,337,278	17,951,059
2026	2,215,419	4,871,250	4,793,125	3,732,000	2,334,002	17,945,796
2027	2,214,006	4,870,750	4,787,500	3,734,125	2,327,147	17,933,528
2028	2,214,938	4,873,875	4,793,625	3,738,250	2,322,568	17,943,256
2029	2,213,106		4,791,000	3,739,000	2,315,989	13,059,095
2030	2,212,000		4,789,375	3,736,125	2,309,799	13,047,299
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	$ 26,572,950	$ 24,357,375	$ 52,703,875	$ 26,153,000	$ 16,287,763	$ 146,074,963

[1] County required to pay **only** if ticket receipts are 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, 2023

Period Ending June 30	Series 2003B Refunding POBs	Series 2008 Refunding POBs[1]	Series 2011A Refunding POBs	Series 2011B Refunding POBs	Series 2013 Refunding POBs	Series 2023 Refunding POBs - Direct Placement[1]	FY POBs Total	FY COPs Total	FY Financed Purchase Obligations Total[2]	FY POBs, COPs, & Financing Obligations Combined
2024	$40,035,058	25,154,888	60,130,146	4,894,219	8,117,100	11,850,328	150,181,739	17,954,305	8,197,603	176,333,647
2025		26,128,662		76,322,109	34,437,113	11,849,099	148,736,983	17,951,059	7,767,721	174,455,763
2026		28,106,049			87,718,563	11,845,124	127,669,736	17,945,796	6,584,530	152,200,062
2027		17,755,915				24,024,107	41,780,022	17,933,528	4,999,992	64,713,542
2028						43,045,531	43,045,531	17,943,256	4,999,992	65,988,779
2029						45,088,187	45,088,187	13,059,095		58,147,282
2030						46,874,793	46,874,793	13,047,299		59,922,092
2031						47,942,334	47,942,334	7,004,000		54,946,334
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	$40,035,058	97,145,514	60,130,146	81,216,328	130,272,776	242,519,503	651,319,325	146,074,963	32,549,838	829,944,126

[1] Assumed swap rate of 5.901% for the 2026 Term Bond; 6.375% for $166,950,000 of the 2030 Term Bond; 4.122% for $13,385,000 of the 2030 Term Bond. True interest rates will be based on the Secured Overnight Financing Rate (SOFR) plus 0.11% for the Index Adjustment, plus 0.45% for the Credit Spread.

[2] Does not include leases with a pledge of net revenues of an enterprise fund

COUNTY OF SACRAMENTO
Variable Rate Debt/Interest Rate Swaps

Issue	2008 Refunding POBs (2004C-1)
Type of Underlying Obligation	Floating Rate Notes 1-mo USD-LIBOR-BBA*
Bond Amount Outstanding as of July 1, 2023	$87,325,000
Insurer	FSA
Swap Counterparty	Bank of America, N.A.
Swap Notional Amount	$87,325,000
Payment Terms	County pays 5.901% fixed; Counterparty pays USD LIBOR (BBA) adjusted monthly; 5,19057%
Est. Valuation (includes accrued interest)	Negative ($1,380,067)
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)
Footnote	*This swap will follow the federal guidance fallback provisions in Fiscal Year 2024 to transition from LIBOR to SOFR.

Issue	2023 Refunding POB (portion of)
Type of Underlying Obligation	Floating Rate Notes - USD SOFR +0.56448%
Bond Amount Outstanding as of July 1, 2023	$166,950,000
Insurer	N/A
Swap Counterparty	Bank of America, N/A
Swap Notional Amount	$166,950,000
Payment Terms	County pays 6.375% fixed; Counterparty pays SOFR+ 0.56448%; 5.61781%
Est. Valuation (includes accrued interest)	Negative ($15,684,658)

COUNTY OF SACRAMENTO
Variable Rate Debt/Interest Rate Swaps

Issue	2023 Refunding POB (portion of)
County Credit Rating Risk (threshold for termination event for swap agreement)	The interest rate is dependent upon the County's credit ratings and is calculated as the Daily SOFR Index Rate + applicable spread. The applicable spread is set as follows based on ratings by Moody's/S&P/Fitch: Tier I = 0.45% (A2/A/A and above) Tier II = 0.55 % (A3/A-/A-) Tier III = 0.77% (Baa1/BBB+/BBB+) Tier IV = 0.90% (Baa2/BBB/BBB) The 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). Should the County not maintain these ratings, the interest rate on the Bonds shall increase to the Trigger Rate, which represents a rate of interest per annum equal to the highest of (a) the Prime Rate plus one percent (1.00%), (b) the Federal Funds Rate plus two percent (2.00%), or (c) seven percent (7.00%).

Issue	2023 Refunding POB (portion of)
Type of Underlying Obligation	Floating Rate Notes - USD SOFR + 0.56448%
Bond Amount Outstanding as of July 1, 2023	$13,790,000
Insurer	N/A
Swap Counterparty	Bank of America, N.A.
Swap Notional Amount	$13,790,000
Payment Terms	County pays 4.122% fixed; Counterparty pays SOFR+ 0.56448%: 5.61931%
Est. Valuation (includes accrued interest)	Positive $236,439
County Credit Rating Risk (threshold for termination event for swap agreement)	The interest rate is dependent upon the County's credit ratings and is calculated as the Daily SOFR Index Rate + applicable spread. The applicable spread is set as follows based on ratings by Moody's/S&P/Fitch: Tier I = 0.45% (A2/A/A and above) Tier II = 0.55 % (A3/A-/A-)

Issue	2023 Refunding POB (portion of)
	Tier III = 0.77% (Baa1/BBB+/BBB+) Tier IV = 0.90% (Baa2/BBB/BBB) The 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). Should the County not maintain these ratings, the interest rate on the Bonds shall increase to the Trigger Rate, which represents a rate of interest per annum equal to the highest of (a) the Prime Rate plus one percent (1.00%), (b) the Federal Funds Rate plus two percent (2.00%), or (c) seven percent (7.00%).

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 and 2009, the Airport System Senior Revenue Refunding Bonds, Series 2016A, 2018A, 2018B, 2018C, and 2020, the Airport System Subordinate and PFC Revenue Bonds, Series 2008 and 2009 and the Airport System Subordinate Revenue Refunding Bonds, Series 2016B, 2018D, 2018E, and 2018F, (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 Annual Comprehensive Financial Report (ACFR) for Fiscal Year 2007-2008, and each ACFR thereafter, the Bond Disclosure Section provides the required information consistent with Section 4 of the Certificate. The ACFR 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.

(B) An annual updating, to reflect results of the most recently completed fiscal year, of the following tables:

4. Historical Enplaned Passengers – Exhibit 1
5. Historical Aircraft Landed Weight – Exhibit 2
6. Airlines’ Market Shares of Enplaned Passengers – Exhibit 3
7. Statement of Revenues, Expenses and Changes in Net Position – Exhibit 4
8. Airline and Nonairline Revenues – Exhibit 5
9. Summary of Historical Revenues, Expenses and Debt Service Coverage – Exhibit 6

REPORTING OF MATERIAL EVENTS

In connection with the issuance of the County's not to exceed $50,000,000 County of Sacramento Airport System Subordinate Revenue Notes, Series 2022 Subseries A (AMT) and Subseries B (Taxable) (the "2022 Notes"), the County entered into a Revolving Credit Agreement, dated as of December 8, 2022 (the "Revolving Credit Agreement"), with Wells Fargo Bank, National Association, as lender.

The above events were disclosed as material events when announced. No additional material events, as identified in Section 5 of the Certificate, have occurred for any of the outstanding bonds issued by Sacramento County and 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 Years Ended June 30
Exhibit 1

Enplanements	2014 [2]	2015	2016	2017	2018	2019	2020	2021	2022	2023
Major and other airlines [1]	4,061,686	4,306,807	4,483,792	4,713,231	5,175,936	5,701,245	4,496,776	3,003,922	5,324,255	6,002,584
Regional airlines	314,551	321,790	459,393	484,953	585,650	597,202	444,264	206,242	469,477	441,740
Total	4,376,237	4,628,597	4,943,185	5,198,184	5,761,586	6,298,447	4,941,040	3,210,164	5,793,732	6,444,324
Percent change from prior year	(0.98)%	5.77 %	6.80 %	5.16 %	10.84 %	9.32 %	(21.55)%	(35.03)%	80.48 %	11.23 %

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] FY 2014 figures have been revised.

COUNTY OF SACRAMENTO
Historical Aircraft Landed Weight - Last 10 Years
Fiscal Years Ended June 30
Exhibit 2
(in 1,000 lb. units)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Passenger airlines										
Major and other airlines [1]	4,693,297	4,782,686	4,890,000	5,182,816	5,731,091	6,243,996	5,503,729	4,097,086	5,999,400	6,837,816
Regional airlines	353,852	350,506	508,376	570,233	674,706	689,413	576,404	332,231	573,402	518,627
Subtotal	5,047,149	5,133,192	5,398,376	5,753,049	6,405,797	6,933,409	6,080,133	4,429,317	6,572,802	7,356,443
All cargo airlines	964,965	651,887	687,612	728,575	1,038,232	1,276,124	1,286,887	1,434,370	1,252,780	1,080,048
Total	6,012,114	5,785,079	6,085,988	6,481,624	7,444,029	8,209,533	7,367,020	5,863,687	7,825,582	8,436,491
Percent change from prior year	4.02 %	(3.78)%	5.20 %	6.50 %	14.85 %	10.28 %	(10.26)%	(20.41)%	33.46 %	7.81 %

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.

COUNTY OF SACRAMENTO
Airlines' Market Shares of Enplaned Passengers - Last 10 Years
Fiscal Years Ended June 30
Exhibit 3

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Percentage of Total Enplanements										
Major Airlines [1]										
Southwest Airlines	52.6 %	53.1 %	51.8 %	51.5 %	53.2 %	53.3 %	51.8 %	49.9 %	51.5 %	56.1 %
United Airlines	8.4	7.6	10.1	9.9	9.9	10.7	9.1	9.8	10.4	9.0
Delta Air Lines	6.5	6.3	11.1	10.6	10.6	10.2	10.7	11.6	10.5	9.8
Alaska Airlines	5.3	6.2	8.4	8.1	8.1	7.9	6.3	3.8	6.0	5.4
US Airways	5.5	5.8								
American Airlines	5.5	5.3	12.2	13.0	12.0	10.7	10.1	11.9	9.4	8.6
Jet Blue Airlines	3.0	2.9	2.8	2.9	2.8	2.4	2.2	0.5	1.0	1.2
Horizon Airlines	2.6	2.3					1.8	3.0	1.6	0.9
Hawaiian Airlines	1.9	1.8	1.7	1.7	1.5	1.5	1.8	1.9	2.4	2.3
Frontier Airlines						0.8	1.2	2.3	1.9	0.9
Aeromexico	0.8	1.0	1.1	1.3	1.0	0.9	0.9	1.2	0.9	0.7
Air Canada						0.3	0.3			0.3
Spirit						0.1	2.0	2.1	2.8	3.1
Sun Country						0.1	0.3			
Contour						0.1	0.3			
Volaris Airlines	0.6	0.8	0.8	1.0	0.9	1.0	1.2	2.0	1.6	1.7
Republic Airlines	0.1									
Regional Airlines [2]										
Skywest	7.2	6.1								
Mesa/Delta Connection		0.8								
Subtotal	100.0 %	100.0 %	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 Regional Airlines enplanements are included in the Major Airlines enplanements starting FY 2015-16.

COUNTY OF SACRAMENTO
Airlines' Market Shares of Enplaned Passengers - Last 10 Years
Fiscal Years Ended June 30
Exhibit 3

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Ranking										
Major Airlines [1]										
Southwest Airlines	1	1	1	1	1	1	1	1	1	1
American Airlines	5	7	2	2	2	2	3	2	4	4
Delta Air Lines	4	3	3	3	3	4	2	3	2	2
United Airlines	2	2	4	4	4	3	4	4	3	3
Alaska Airlines	7	4	5	5	5	5	5	5	5	5
US Airways	6	6								
Jet Blue Airlines	8	8	6	6	6	6	6	12	11	9
Horizon Airlines	9	9					8	6	9	11
Hawaiian Airlines	10	10	7	7	7	7	9	10	7	7
Frontier Airlines						10	10	7	8	10
Aeromexico	11	11	8	8	8	9	12	11	12	12
Air Canada						11	14		13	13
Spririt						12	7	8	6	6
Sun Country						13	13	13		
Contour						14	15			
Boutique						15	16	14	14	
Volaris Airlines	12	12	9	9	9	8	11	9	10	8
Swift Air								15	15	
Seaport		13								
Regional Airlines [2]										
Skywest	3	5								
Mesa/Delta Connection		12								

Source: Department of Airports statistics reports.

[1] Defined for this analysis as scheduled airlines operating with 60 or more seats.
[2] Regional Airlines enplanements are included in the Major Airlines enplanments starting FY 2015-16

COUNTY OF SACRAMENTO
Statement of Revenues, Expenses and Changes in Net Position - Last 10 Years
Fiscal Years Ended June 30
Exhibit 4

	2014 [1]	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating revenue:										
Concessions	$ 69,451,723	73,880,574	78,775,227	82,409,252	90,323,536	99,038,728	80,277,417	56,012,009	93,641,280	106,392,621
Building rents	61,119,198	61,887,092	65,012,503	66,066,673	60,059,320	58,504,461	69,725,164	57,906,467	64,390,549	71,732,556
Airfield charges	25,299,370	19,102,672	21,043,860	23,671,438	27,172,330	27,879,071	25,519,182	31,005,490	31,170,310	31,555,006
Ground leases	1,927,849	1,910,052	2,034,604	2,107,408	3,046,387	3,524,845	3,951,171	4,209,371	10,692,383	9,834,059
Sale of fuel	854,030	664,423	604,640	461,300	554,321	747,844	418,914	544,327	464,859	922,763
Airport services	331,277	798,098	1,000,679	949,129	498,253	380,200	617,198	403,387	919,883	427,692
Other	13,902	196,451	72,246	84,267	6,391	(4,148,559)	3,414	24,029	14,553	3,633
Total operating revenue	158,997,349	158,439,362	168,543,759	175,749,467	181,660,538	185,926,590	180,512,460	150,105,080	201,293,817	220,868,330
Operating expense:										
Salaries and benefits	30,302,735	27,021,772	26,842,856	30,372,684	33,422,424	34,463,798	40,599,630	44,608,558	35,393,935	39,869,392
Services and supplies	54,044,934	51,885,789	58,110,395	57,602,169	64,470,461	68,725,697	77,594,078	71,175,541	85,264,445	102,617,535
Cost of sales and services	648,940	509,938	431,554	361,608	499,671	680,942	558,780	493,926	861,995	860,635
Depreciation and amortization	54,204,762	53,531,817	50,565,547	52,011,580	52,013,372	52,647,894	52,842,238	54,892,487	55,649,935	57,091,392
Other	413,110	229,703	480,259	574,703	218,429	51,266	10,984,101	310,098	484,516	433,684
Total operating expense	139,614,481	133,179,019	136,430,611	140,922,744	150,624,357	156,569,597	182,578,827	171,480,610	177,654,826	200,872,638
Operating income (loss):	19,382,868	25,260,343	32,113,148	34,826,723	31,036,181	29,356,993	(2,066,367)	(21,375,530)	23,638,991	19,995,692
Nonoperating revenue (expense):										
Investment income (loss)	813,327	(54,853)	2,000,910	1,915,111	3,222,805	8,479,767	5,981,289	936,698	(2,474,652)	13,297,492
Passenger facility charges revenue	17,160,771	18,514,213	19,285,187	20,544,539	22,782,880	25,587,275	19,191,446	13,680,710	22,865,394	25,950,108
Customer facility charges revenue						1,269,420	5,840,576	3,233,524	5,066,535	9,014,790
Intergovernmental revenue	838,145	467,561	867,632	404,582	1,695,305	595,695	35,484,822	16,327,555	50,451,763	9,955,581
Gain (loss) on disposal of assets	(62,967)	141,167	(29,493)	260,372	369,892	(212,510)	(893,634)	67,175	105,558	(1,450,990)
Other nonoperating revenue (expense)	(32,690)	208,536	299,019	149,481	139,045	153,682	1,843,812	4,710,955	2,857,024	280,400
Amortization of bond issuance cost[1,4]	(405,146)	(405,146)	(405,146)	(388,175)	(313,653)	(25,902)	(25,902)	(24,220)	(24,337)	(21,100)
Interest expense	(58,323,780)	(57,381,887)	(56,140,352)	(53,042,527)	(49,551,243)	(39,402,511)	(38,910,448)	(34,480,405)	(33,427,662)	(32,137,012)
Net nonoperating revenue (expense)	(40,012,340)	(38,510,409)	(34,122,243)	(30,156,617)	(21,654,969)	(3,555,084)	28,511,961	4,451,992	45,419,623	24,889,269

COUNTY OF SACRAMENTO
Statement of Revenues, Expenses and Changes in Net Position - Last 10 Years
Fiscal Years Ended June 30
Exhibit 4

	2014 [1]	2015	2016	2017	2018	2019	2020	2021	2022	2023
Income (loss) before capital contributions and transfers	(20,629,472)	(13,250,066)	(2,009,095)	4,670,106	9,381,212	25,801,909	26,445,594	(16,923,538)	69,058,614	44,884,961
Capital contributions	9,421,605	11,456,573	11,368,943	15,534,748	3,279,101	11,421,118	20,520,520	5,668,571	7,552,491	16,343,566
Transfer out [2]	(2,711,985)	(2,765,151)	(2,231,084)	(2,406,265)	(2,484,035)	(2,552,322)	(2,546,362)	(2,814,183)	(2,902,410)	(2,952,604)
Changes in net position	(13,919,852)	(4,558,644)	7,128,764	17,798,589	10,176,278	34,670,705	44,419,752	(14,069,150)	73,708,695	58,275,923
Total net position, beginning of year [3]	591,684,369	553,291,895	548,733,251	555,862,015	571,733,735	581,910,013	616,580,718	661,000,470	646,931,320	720,640,015
Total net position, end of year	$ 577,764,517	548,733,251	555,862,015	573,660,604	581,910,013	616,580,718	661,000,470	646,931,320	720,640,015	778,915,938

[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 FY 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.

[4] Amortization of bond issuance cost includes a rounding adjustment for FY 2022 as the Total Net Position at end of year was misstated.

COUNTY OF SACRAMENTO
Airline and Nonairline Revenues - Last 7 Years
Fiscal Years Ended June 30
Exhibit 5

	2017	2018 [2]	2019 [2]	2020 [2]	2021 [2]	2022	2023
Airline Revenue							
Terminal building rents and fees	$ 52,839,550	44,431,455	52,452,234	60,813,934	46,698,567	52,804,244	58,695,698
Aircraft parking fees	3,416,495	2,479,673	2,374,015	2,767,919	3,476,740	4,558,768	5,051,747
Loading bridge fees	2,922,392	1,673,891	1,580,825	1,595,724	1,394,900	2,105,216	2,182,908
Landing fees	23,677,390	26,790,520	26,843,659	27,388,248	30,911,283	31,069,803	31,440,323
Airlines revenue sharing		(4,163,064)	(10,660,522)				
Total Airline Revenue	82,855,827	71,212,475	72,590,211	92,565,825	82,481,490	90,538,031	97,370,676
Less cargo revenues	2,966,959	4,321,249	5,263,448	6,123,700	9,031,621	5,821,439	5,087,026
Passenger airline operating revenues	$ 79,888,868	66,891,226	67,326,763	86,442,125	73,449,869	84,716,592	92,283,650
Enplaned passengers	5,198,184	5,761,586	6,298,447	4,941,040	3,210,164	5,793,732	6,444,324
Cost per Enplaned Passenger (CPE)	$ 15.37	11.61	10.69	17.49	22.88	14.62	14.32
Nonairline Revenue							
Airfield area							
Other landing fees	56,359						
Fuel sales	737,132	1,060,702	1,489,918	1,475,151	1,552,406	1,898,107	1,694,531
Subtotal	793,491	1,060,702	1,489,918	1,475,151	1,552,406	1,898,107	1,694,531
Terminal building							
Food/beverage	4,662,410	4,873,267	5,655,423	4,842,511	3,430,125	3,878,105	5,992,690
Merchandise	2,323,964	2,372,005	2,483,578	2,317,653	2,182,660	1,755,446	2,202,142
Advertising	813,827	724,537	724,409	767,367	705,914	166,701	380,474
Telephones	394,664	409,439	404,196	428,162	439,319	30,251	29,703
Vending	445,267	434,162	327,444	377,124	375,411	291,434	328,256
Other terminal rents	1,422,993	2,016,294	1,759,039	1,798,162	1,590,343	1,796,290	2,148,745
Subtotal	10,063,125	10,829,704	11,354,089	10,530,979	8,723,772	7,918,227	11,082,010
Parking	57,052,230	61,446,320	66,700,985	51,510,237	32,638,657	65,445,614	73,446,876

Source: Airports financial statements.

[1] As defined in the Bond Indenture.
[2] Airline Revenues for FY 2018 and FY 2019 reflect Airline Year-end Settlement and revenue sharing calculations recorded in subsequent years. FY 2020 includes prior year and current Year-end Settlement calculations. FY 2021 Revenue includes current year settlement.

COUNTY OF SACRAMENTO
Airline and Nonairline Revenues - Last 7 Years
Fiscal Years Ended June 30
Exhibit 5

	2017	2018 [2]	2019 [2]	2020 [2]	2021 [2]	2022	2023
Other areas							
Autorentals	$ 11,841,060	12,882,207	14,161,083	11,927,386	9,760,797	15,052,041	14,945,707
Autorental shuttle bus fees	3,577,686	4,420,013	4,667,613	4,990,880	5,166,015	4,413,678	5,465,795
Taxi/TNC	1,293,349	2,364,656	3,491,081	2,797,975	1,072,975	2,191,504	3,024,296
Tiedown and hangars	734,240	716,462	746,577	737,232	729,161	754,699	764,095
FBO rentals	92,460	92,334	92,334	95,860	75,988	94,486	94,557
Aviation ground leases	1,831,576	2,540,006	2,782,772	3,093,218	3,201,291	2,442,127	2,025,972
Other rentals/miscellaneous	4,705,159	3,931,754	4,186,758	4,259,218	4,216,467	10,001,953	10,446,722
Subtotal	24,075,530	26,947,431	30,128,218	27,901,769	24,222,694	34,950,488	36,767,144
Other revenue							
Service fees	949,129	498,253	380,200	418,914	403,387	464,859	427,692
Miscellaneous revenue	514,198	1,728,539	829,399	36,087,202	20,975,539	50,730,646	7,984,426
Subtotal	1,463,327	2,226,792	1,209,599	36,506,116	21,378,926	51,195,505	8,412,118
Total Non Airline Revenue	93,447,703	102,510,949	110,882,809	127,924,252	88,516,455	161,407,941	131,402,679
Interest income [1]	1,805,024	3,882,123	7,159,293	3,823,472	(555,647)	469,389	14,789,822
Total Non Airline Revenue	$ 95,252,727	106,393,072	118,042,102	131,747,724	87,960,808	161,877,330	146,192,501

Source: Airports financial statements.

[1] As defined in the Bond Indenture.
[2] Airline Revenues for FY 2018 and FY 2019 reflect Airline Year-end Settlement and revenue sharing calculations recorded in subsequent years. FY 2020 includes prior year and current Year-end Settlement calculations. FY 2021 Revenue includes current year settlement.

COUNTY OF SACRAMENTO
Summary of Historical Revenue, Expenses and Debt Service Coverage - Last 10 Years
Fiscal Years Ended June 30
Exhibit 6

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rate Covenant per Section 6.04 (b)(i)										
Revenues [1]	$ 160,589,380	158,928,261	171,150,791	178,108,554	187,410,070	193,835,260	209,664,618	170,587,943	252,523,996	245,894,132
Operating expenses [2]	(88,121,704)	(82,412,353)	(88,096,148)	(91,317,429)	(101,128,080)	(106,474,025)	(121,588,396)	(119,402,306)	(124,907,302)	(146,734,349)
Net revenues	72,467,676	76,515,908	83,054,643	86,791,125	86,281,990	87,361,235	88,076,222	51,185,637	127,616,694	99,159,783
Transfer (limited to 25%)	12,357,018	13,391,226	13,390,638	13,338,831	9,800,819	10,972,283	11,714,793	6,895,236	6,655,225	6,436,413
Net revenues + Transfers	$ 84,824,694	89,907,134	96,445,281	100,129,956	96,082,809	98,333,518	99,791,015	58,080,873	134,271,919	105,596,196
Accrued debt service on senior obligations [3]	$ 49,428,071	53,564,902	53,562,551	53,355,325	39,203,276	43,889,132	46,859,170	27,580,945	26,620,900	25,745,650
Debt service coverage (>1.25)	1.72	1.68	1.80	1.88	2.45	2.24	2.13	2.11	5.04	4.10
Rate Covenant per Section 6.04 (b)(ii)										
Net revenues	$ 72,467,676	76,515,908	83,054,643	86,791,125	86,281,990	87,361,235	88,076,222	51,185,637	127,616,694	99,159,783
Transfer (limited to 10%)	4,942,807	5,356,490	5,356,255	5,335,533	3,920,328	4,388,913	4,685,917	2,758,095	2,662,090	2,574,565
Net revenues + Transfers	$ 77,410,483	81,872,398	88,410,898	92,126,658	90,202,318	91,750,148	92,762,139	53,943,732	130,278,784	101,734,348
Accrued debt service on senior obligations	$ 49,428,071	53,564,902	53,562,551	53,355,325	39,203,276	43,889,132	46,859,170	27,580,945	26,620,900	25,745,650
Debt service on subordinate obligations	30,211,816	30,271,621	21,944,846	20,832,404	13,494,431	16,145,064	16,703,950	16,709,750	16,709,750	16,710,000
Less: PFC Revenues	(21,940,816)	(21,942,737)	(21,944,846)	(20,832,404)	(13,494,431)	(16,145,064)	(16,703,950)	(16,709,750)	(16,709,750)	(16,710,000)
Less: Available Grant Revenues	(8,271,000)	(8,328,884)								
Accrued debt service on senior & subordinate obligations	$ 49,428,071	53,564,902	53,562,551	53,355,325	39,203,276	43,889,132	46,859,170	27,580,945	26,620,900	25,745,650
Debt Service Coverage (>1.10)	1.57	1.53	1.65	1.73	2.30	2.09	1.98	1.96	4.89	3.95

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 and interest due on July 1st of the following fiscal year.

Annual Report for the Sacramento County
Water Agency Enterprise Fund
For the Fiscal Years Ended June 30, 2019 through 2023

On April 8, 2003, the Sacramento County Water Agency (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 a blended component unit of the Sacramento County Water Agency. The Sacramento County Water Agency includes the Agency's Enterprise Fund, however, it includes more than one fund. All balances and transactions of the Authority are presented in the financial statements of the Agency Enterprise Fund.

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 Sacramento County Water Financing Authority Revenue Bonds Series 2019, the Sacramento County Water Financing Authority Revenue Bonds Series 2022A. 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 the 2007B, 2019, and 2022A issues.

This Bond Disclosure Section included within the Sacramento County's Annual Comprehensive Financial Report (ACFR) provides the information required by the Continuing Disclosure Certificate. The ACFR, 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

The following items are required by the Certificate to be included in the Annual Report:

(A) The audited financial statements of the Agency 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 Agency’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 Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(B) The Annual Report shall include 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 2007B, Series 2019, and Series 2022A Bonds dated April 26, 2007, October 16, 2019, and February 1, 2022 respectively (the “Official Statement”). Projections do not have to be updated.

1. Approximate number of connections to which the Agency delivered water - Exhibit 1
2. Historical and Projected Monthly Service Fees - Exhibit 2
3. Historical and Projected Impact & Connection Fees - Exhibit 3
4. Annual Water Production Summary - Exhibit 4
5. Water Service Accounts by Service Areas - Exhibit 5
6. Zone 40 and 41 Service Areas Top Ten Customers - Exhibit 6
7. Historical Operating Results - Exhibit 7

REPORTING OF SIGNIFICANT EVENTS

On June 26, 2023, the Sacramento County Water Agency (the "Agency") adhered to the ISDA IBOR 2020 Fallbacks Protocol, as published by the International Swaps and Derivatives Association, Inc. (ISDA) on October 23, 2020 (the "Protocol"). The Agency previously entered into two interest rate swap agreements (the "Swaps") in April 2007, as amended, in anticipation of the issuance of the Revenue Bonds (Sacramento County Water Agency Zones 40 And 41 2007 Water System Project) Series 2007B (the "Series 2007B Bonds") issued by the Sacramento County Water Financing Authority (the "Authority") on May 9, 2007. The Swaps have an aggregate notional amount of $227,015,000 and amortize in tandem with the expected amortization of the Authority's Series 2007B Bonds. Under the terms of the Swaps, in connection with each calculation period, the Agency pays to the swap counterparty a fixed rate and receives from the swap counterparty a floating rate based on LIBOR.

By adhering to the Protocol, following the cessation of LIBOR, the floating rate under the Swaps will convert from the lesser of (i) 67% of three-month LIBOR plus a specified credit spread or (ii) 12% to the lesser of (i) 67% of Fallback Rate (SOFR) for a three-month tenor (based on compounded SOFR calculated in arrears, plus a specified spread adjustment), plus a specified credit spread or (ii) 12% (with the cessation of LIBOR occurring on June 30, 2023, SOFR would apply to calculation periods beginning September 1, 2023).

ADDITIONAL INFORMATION

The Certificate requires that the following information be updated annually:

Exhibit 1 - A table indicating the approximate number of connections to which the Agency delivered water.

Fiscal Year:	2018-19	2019-20	2020-21	2021-22	2022-23
Number of connections	56,137	57,541	58,890	60,004	61,348
Annual Percent Increase	1.7 %	2.5 %	2.3 %	1.9 %	2.2 %

Exhibit 2 - Historical and Projected Monthly Service Fees
Zone 40 Monthly Service Fee generally imposed on customers.

Fiscal Year:	2018-19	2019-20	2020-21	2021-22	2022-23
Monthly Rate:	$ 28.80	28.80	28.80	28.80	28.80

Exhibit 2 - Historical and Projected Monthly Service Fees
Zone 41 Monthly Service Fee generally imposed on customers.

Fiscal Year:	2018-19	2019-20	2020-21	2021-22	2022-23
Monthly Rate:	$ 46.22	47.90	49.57	49.57	49.57

Annual Report for the Sacramento County Water Agency Enterprise Fund For the Fiscal Years Ended June 30, 2019 through 2023

Exhibit 3 - Historical and Projected Impact & Connection Fees
Zone 40 Impact Fees.

Effective Date (Month-Yr)		Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Development Fee (per EDU)	$	16,962	17,601	17,985	19,535	20,857
(Domestic, Commercial, Other Service)						
Annual increase		2 %	4 %	2 %	9 %	7 %
Commercial Service (per acre)	$	9,663	10,027	10,245	11,128	11,881
Annual increase		2 %	4 %	2 %	9 %	7 %
Other Service (per acre)	$	1,872	1,942	1,984	2,155	2,301
Annual increase		2 %	4 %	2 %	9 %	7 %

Exhibit 3 - Historical and Projected Impact & Connection Fees
Zone 41 Connection Fees.

Effective Date (Month-Yr)		Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Connection Fee (per EDU)	$	376	376	376	376	376

Exhibit 4 - Annual Water Production Summary

Water Supply Production (In Acre Feet)	2019	2020	2021	2022	2023
Ground Water	19,821	22,299	29,212	24,649	26,974
Surface Water	18,761	20,119	17,832	18,116	15,580
Recycled Water	826	977	987	686	585
Total Production	**39,408**	**43,395**	**48,031**	**43,451**	**43,139**
Percentage Breakdown					
Ground Water	50 %	52 %	61 %	57 %	63 %
Surface Water	48 %	46 %	37 %	41 %	36 %
Recycled Water	2 %	2 %	2 %	2 %	1 %

Exhibit 5 - Water Service Accounts by Service Area

	2019	2020	2021	2022	2023
Zone 40 and Zone 41	52,530	53,933	55,262	56,364	57,675
Zone 40 but not within Zone 41	4,438	4,772	4,913	4,927	4,970
Zone 41 but not within Zone 40	3,607	3,608	3,628	3,640	3,673
Total	**60,575**	**62,313**	**63,803**	**64,931**	**66,318**

Annual Report for the Sacramento County
Water Agency Enterprise Fund
For the Fiscal Year Ended June 30, 2023

Exhibit 6 - Zone 40 and 41 Service Areas Top Ten Customers

Customer	Annual Water use Acre Feet (AF)	% of Total Water use
Elk Grove Unified School District	299	0.7 %
Sacramento Regional County Sanitation District	277	0.6 %
Aramark Uniform Services Inc.	140	0.3 %
Cintas Sales Corporation	126	0.3 %
Bre Delta Industrial Sacramento Ltd Partnership	121	0.3 %
Federal Government	93	0.2 %
Cosumnes Community Services District	78	0.2 %
USA in Trust for Wilton Rancheria	66	0.2 %
DS Properties 18 LP	55	0.1 %
Folsom Cordova Unified School District	35	0.1 %
Total	**1,290**	**3.0 %**

Annual Report for the Sacramento County Water Agency Enterprise Fund For the Fiscal Years Ended June 30, 2019 through 2023

Exhibit 7 - Historical Operating Results

(amounts expressed in thousands)

	2018-19	2019-20	2020-21	2021-22	2022-23
Revenues:					
Operating revenues					
Water service charges	$ 50,257	54,570	58,126	58,647	56,803
Charges for services	2,390	2,325	2,179	2,486	3,292
Development fees (2)	29,204	26,141	30,840		
Connection fees	502	507	483	633	456
Other	2,383	1,787	1,969	3,314	3,241
Total net operating revenues	84,736	85,330	93,597	65,080	63,792
Nonoperating revenues					
Total interest income	2,688	3,873	1,669	1,864	7,927
Less: interest earnings on reserves	(1,204)	(1,191)	(1,198)	(1,212)	(1,199)
Net interest income	1,484	2,682	471	652	6,728
Development fees (2)				42,890	38,396
Total nonoperating revenues	1,484	2,682	471	43,542	45,124
Total revenues	86,220	88,012	94,068	108,622	108,916
Adjusted annual revenues (1)	86,220	88,012	94,068	108,622	108,916
Maintenance & operating expenses (excludes depreciation and includes non-bond related interest expense)	27,521	29,156	32,456	34,159	38,743
Net revenues (1)	58,699	58,856	61,612	74,463	70,173
Impact fee credits	(3,561)	(2,396)	(2,467)	(1,720)	(951)
Net revenue less impact fee credits	55,138	56,460	59,145	72,743	69,222
Debt service					
Debt service on 2007 Bonds	25,712	9,578	9,627	9,627	11,525
Debt service on 2019 bonds		14,771	13,666	13,656	11,767
Less interest earnings on reserve	(1,204)	(1,191)	(1,198)	(1,207)	(1,199)
Adjusted annual debt service	24,508	23,158	22,095	22,076	22,093
Debt service coverage (1)	2.40	2.54	2.79	3.37	3.18
Pay-as-you-go capital	17,155	20,742	25,542	29,296	35,879
Net cash flow of year's operations	$ 13,475	12,560	11,508	21,235	11,250
Reserves end of year	$ 65,648	64,986	71,318	52,506	134,040
Bond reserve account end of year	$ 25,713	22,892	22,892	22,892	22,892

(1) Calculated in accordance with the Master Installment Purchase Contact
(2) Beginning FY2021-22 Zone 40 Development fees were reclassified from operating revenues to nonoperating revenues

This page intentionally left blank

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2023

APPENDIX C

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Master Indenture and the Eleventh 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 Eleventh 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 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 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 by the Board.

"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.

"Eleventh Supplemental Indenture" means the Eleventh Supplemental Indenture of Trust, dated as of October 1, 2024, between the County and the Trustee, relating to the Series 2024 Senior Bonds.

"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 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 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 2024 Continuing Disclosure Certificate” means the continuing disclosure certificate executed by the County relating to the Series 2024 Senior Bonds.

“Series 2024 Senior Bonds” means the County of Sacramento Airport System Senior Revenue Bonds, Series 2024 (Non-AMT).

“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.

"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, 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, 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 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; 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) <u>Third</u>:

(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) <u>Fourth</u>, to the Rebate Fund, the amount required to be paid for Senior Obligations pursuant to the Rebate Instructions.

(e) <u>Fifth</u>:

(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 (60^{th}) 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 ELEVENTH SUPPLEMENTAL INDENTURE

General

The Eleventh Supplemental Indenture authorizes the issuance of the Series 2024 Senior Bonds and prescribes their terms, conditions and form. Although certain provisions of the Eleventh 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 Eleventh Supplemental Indenture.

Terms of the Series 2024 Senior Bonds

The Series 2024 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 2024 Senior Bonds, see the inside cover page and the front part of this Official Statement under the caption "THE SERIES 2024 SENIOR BONDS."

Continuing Disclosure

The County covenants and agrees to comply with the Series 2024 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 2024 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 2024 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 Eleventh Supplemental Indenture with respect to the Series 2024 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 2024 Senior Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Series 2024 Senior Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2024 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 2024 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 2024 Senior Bonds.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2024 Senior Bonds. The Series 2024 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 2024 Senior Bond will be issued for each maturity of the Series 2024 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 2024 Senior Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2024 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 2024 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 2024 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 2024 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 2024 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 2024 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 2024 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 2024 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.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 $467,270,000 Airport System Senior Revenue Bonds, Series 2024 (Non-AMT) (the "Series 2024 Bonds").

The Series 2024 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 an Eleventh Supplemental Indenture of Trust, dated as of October 1, 2024, between the County and the Trustee (the "Eleventh 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 2024 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 2024 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 2024 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 2023-24 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 2024 Bonds, dated September 24, 2024 (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 – Airline 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 2024 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 2024 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 2024 Bonds or other material events affecting the tax status of the Series 2024 Bonds;

(2) Modifications to rights of holders of the Series 2024 Bonds;

(3) Optional, unscheduled or contingent bond calls;

(4) Release, substitution, or sale of property securing repayment of the Series 2024 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 2024 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 2024 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 2024 Bonds or the Series 2024 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 2024 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 2024 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 2024 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 2024 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 2024 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 2024 Bonds, and shall create no rights in any other person or entity.

Date: October 10, 2024.

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: $467,270,000 Airport System Senior Revenue Bonds, Series 2024 (Non-AMT)

Date of Issuance: October 10, 2024

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____

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Board of Supervisors,
County of Sacramento
Sacramento, California

County of Sacramento
Airport System Senior Revenue Bonds, Series 2024 (Non-AMT)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Sacramento (the "County") in connection with the issuance of $467,270,000 aggregate principal amount of County of Sacramento Airport System Senior Revenue Bonds, Series 2024 (Non-AMT) (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 an Eleventh Supplemental Indenture of Trust, dated as of October 1, 2024 (the "Eleventh 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 provided to us 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 governmental entities such as the County in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute 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 property 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 property. 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 September 24, 2024, or other offering material relating to the Bonds and express no view 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 agreement of, the County. The Indenture creates a valid pledge, to secure the payment of the 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 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. 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

[THIS PAGE INTENTIONALLY LEFT BLANK]

Sacramento
County