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COUNTY OF SAN MATEO
Inter-Departmental Correspondence

County Manager's Office

DATE: July 20, 2001
BOARD MEETING DATE: July 31, 2001

TO: Honorable Board of Supervisors

FROM: Paul Scannell, Assistant County Administrator Paul Scannell

SUBJECT: San Mateo County Joint Powers Financing Authority Issuance of Lease Revenue Bonds in an Amount Not To Exceed $35,000,000 for the Forensic Laboratory/Coroner's Office and Law Enforcement Communication System

Recommendation

1. Conduct a public hearing on the issuance by the San Mateo County Joint Powers Financing Authority of Lease Revenue Bonds in an amount not to exceed $35,000,000 in two series to finance the Forensics Laboratory/Coroner's Office and the Radio Microwave System and the County Radio System.
2. Adopt a resolution approving the issuance by San Mateo County Joint Powers Financing Authority of not to exceed $35,000,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects); for the financing of Capital Projects, including a Crime Lab project and Law Enforcement Communication System; authorizing the forms of and directing the execution and delivery of a fourth amendment to site lease, a fourth amendment to facility lease, a bond purchase contract, a continuing disclosure agreement and an official statement; authorizing a lease financing with the San Mateo County Joint Powers Financing Authority; and approving the taking of all necessary actions in connection therewith.

Background

The County has previously financed, in a continuing series of transactions, the General Hospital, the HSA building at 2500 Middlefield and fourth floor and Traffic courts, and the new County Office building. In 1999 portions of those transactions were refinanced to reduce debt service payments to the County's advantage and to provide additional funds for the Health Center project. There are three new projects that require financing: the Forensic Laboratory/Coroner's Office (Crime Lab); the Emergency Services Council and Administrative Radio Microwave System; and the County Radio System (Sheriff's System). The new financing will be added to the previous financing. The County's Joint Powers Financing Authority will be the issuing agency on behalf of the County.

Discussion

The Joint Powers Financing Authority met in a noticed public meeting on July 18, 2001. By unanimous vote the Directors approved the issuance of Lease Revenue Bonds in an amount not to exceed $35,000,000 and adopted the resolutions necessary to accomplish the financing and authorized the finance team to proceed with the transaction subject to the approval of the Board of Supervisors.

The County intends to finance each project on a "stand alone" basis, but in order to save on issuance costs combine the three separate amortization schedules into a single lease revenue bond financing. The County will issue long term fixed rate lease revenue bonds and expects most of the bonds to remain outstanding until maturity. However, approximately $7.5 million of bonds will be issued as a separate series so that a portion of the financing might be retired early, if the State provides grant funding for the Crime Lab on a reimbursable basis.

The Radio Microwave Project is over 25 years old and needs to be replaced. The Emergency Services Council Joint Powers Authority (ESC) has decided to replace the ESC System and entered into a contract with Motorola/Harris on March 22, 2001, to design, build and install the new system. Each member of the ESC JPA was allowed to decide how to finance its portion. All of the cities, with the exception of Redwood City and East Palo Alto, decided to pay cash over a two-year interval for their share. The County and the two cities will be financing their portions of the Project. The System will be amortized over 15 years, the expected life of the new equipment. The two cities will reimburse the County for their proportional share annually. In addition the County is upgrading the Administrative microwave system at the cost of $3.1 million. The County also has to pay its share of the ESC-Motorola/Harris contract. The total amount to be financed is approximately $9.5 million and the total bond amount including capitalized interest, reserve funds and insurance will be approximately $10.7 million. Total Project cost is $13.9 million. The balance of $4.4 million is paid by the other agencies.

The County Radio System (Sheriff's Radio) is a shared system by many County departments, but the Sheriff's Department is the major user. Additional County users include OES, Public Works, Probation, Parks, EMS, Animal Control, SMCGH Security, District Attorney, Coroner and Building Inspection. Those departments paid for their share of the Project over two years. The useful life of the equipment is approximately 10 years and the debt service will be matched to that life. The Board of Supervisors approved the contract with Motorola/Harris on March 27, 2001. The total amount to be financed is approximately $7 million and the total bond amount including capitalized interest, reserve funds and issuance costs will be approximately $7.8 million. The total cost of the Project is $11.8 million.

The existing Forensic Laboratory is 75 years old. The building is infested with a mold and must be replaced. The Coroner's Office is currently in rented space at a 30-year average cost of $193,000 per year and would be more economically and efficiently housed in the new Crime Lab. The State may reimburse the County as much as $7.5 million under a three year program to encourage the construction of local crime labs throughout the State. However, that proposed program is part of the State budget. It is anticipated that a number of energy efficient practices and devices will be utilized. The major one being the use of photo-voltaic cells on the roof to generate as much as 180 kW of electrical power, sufficient to supply the lighting and wall outlet needs. There are a number of programs that reimburse users for the utilization of energy conservation materials and practices. As much as one half of the $1.2 million dollar photo-voltaic system will be eligible for reimbursement which could reduce the final cost of the Project. Other energy efficient systems will include the use of a sophisticated control system for the ventilation of the laboratory space, the use of natural light and natural ventilation, recycled floor tiles, recycled paving material and other materials that might be eligible for reimbursement programs and will conserve substantially the future energy needs of the building. The Sheriff has already contributed $5 million to the Project from his budget to pay for the design and planning. Construction is planned to begin no later than October of this year and the construction period is estimated at 14 months. The amount to be financed is estimated at $12.65 million and the total bond amount including capitalized interest, reserve funds and issuance costs will be approximately $14.3 million. Total Project cost is $17.7 million.

Fiscal Impact

The Radio Microwave System's annual debt payment averages $910,000 over the 15 year life cycle of the equipment. The cities' share is approximately $50,000 per year. The County is responsible for $860,000 annually. The County operating departments that utilize the System will pay their share, $281,000 annually, of the Administrative microwave system through telephone charges. The County's share of the ESC system debt service, $579,000 annually, will be paid by the General Fund.

The Sheriff's Radio's annual debt payment averages $880,000 over the ten year average life of the equipment. The General Fund is responsible for the payment.

The Crime Lab's annual debt averages $950,000 over the 30 year amortization period. The Coroner will pay approximately $85,500 in debt service per year, representing a substantial reduction from the average rent in leased space. The Sheriff will be responsible for the balance, $864,500 annually. If the State grant of $7.5 million were received, the total annual payment would be approximately $450,000 annually.

RESOLUTION NO. ______

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

RESOLUTION APPROVING THE ISSUANCE BY THE SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY OF NOT TO EXCEED $35,000,000 AGGREGATE PRINCIPAL AMOUNT OF LEASE REVENUE BONDS (CAPITAL PROJECTS); FOR THE FINANCING OF CAPITAL PROJECTS, INCLUDING A CRIME LAB PROJECT AND LAW ENFORCEMENT COMMUNICATION SYSTEM; AUTHORIZING THE FORMS OF AND DIRECTING THE EXECUTION AND DELIVERY OF A FOURTH AMENDMENT TO SITE LEASE, A FOURTH AMENDMENT TO FACILITY LEASE, A BOND PURCHASE CONTRACT, A CONTINUING DISCLOSURE AGREEMENT AND AN OFFICIAL STATEMENT; AUTHORIZING A LEASE FINANCING WITH THE SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY; AND APPROVING THE TAKING OF ALL NECESSARY ACTIONS IN CONNECTION THEREWITH.

RESOLVED, by the Board of Supervisors of the County of San Mateo, that:

WHEREAS, the County of San Mateo (the "County") and the Community Development Commission for the County of San Mateo (the "Commission") have heretofore entered into a Joint Exercise of Powers Agreement, dated May 15, 1993 (the "Joint Powers Agreement"), which Joint Powers Agreement creates and establishes the San Mateo County Joint Powers Financing Authority (the "Authority");

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "JPA Law") and the Joint Powers Agreement, the Authority is authorized to issue bonds for financing and refinancing public capital improvements whenever there are significant public benefits;

WHEREAS, pursuant to a Trust Agreement dated as of April 15, 1994 (as supplemented and amended, the "Trust Agreement"), by and between the Authority and Bank of America National Trust and Savings Association, as predecessor trustee to First Trust of California, National Association, now known as U.S. Bank Trust National Association, as trustee (the "Trustee"), the Authority has heretofore issued the San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (San Mateo County Health Center), 1994 Series A (the "1994 Bonds"), in the aggregate principal amount of $124,355,000, the San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects), 1995 Series A, in the aggregate principal amount of $19,225,000 (the "1995 Bonds"), the San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects), 1997 Series A, in the aggregate principal amount of $63,205,000 (the "1997 Bonds") and the San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects) 1999 Refunding Series A, in the aggregate principal amount of $113,140,000 (the "1999 Bonds") for financing and refinancing the acquisition, construction, remodeling and equipping of certain facilities for the County of San Mateo (the "Project") and other capital improvements for the County;

WHEREAS, the County has heretofore entered into a Master Site Lease (San Mateo County Health Center), dated as of April 15, 1994 between the County and the Authority (as amended, the "Master Site Lease"), for the lease of the Project, and is presently leasing the Project back from the Authority pursuant to a Master Facility Lease (San Mateo County Health Center) dated as of April 15, 1994, between the Authority and the County (as amended, the "Master Facility Lease");

WHEREAS, the County has requested, and it furthers the public purpose for, the Authority to assist the County in the financing of public capital improvements within the County, including a county forensics laboratory and coroner's office (the "Crime Lab Project") and law enforcement communications system;

WHEREAS, in accordance with the JPA law this Board of Supervisors (the "Board") held a public hearing on the proposed financing following publication of the notice of the public hearing at least five days prior thereto in a newspaper of general circulation in the County and at the July 3, 2001 meeting of the Board approved the financing and found that it will result in significant public benefits, including demonstrable savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs;

WHEREAS, the County desires to approve the sale and issuance by the Authority of not to exceed $35,000,000 in aggregate principal amount of San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects), in one or more series (the "Bonds"), pursuant to the Trust Agreement, as supplemented by a Fifth Supplemental Trust Agreement, by and between the Authority and the Trustee (the "Fifth Supplemental Trust Agreement"), for the purpose of financing certain public capital improvements within the County;

WHEREAS, there have been presented to this meeting the proposed forms of the Fourth Amendment to Master Site Lease, the Fourth Amendment to Master Facility Lease, the Fifth Supplemental Trust Agreement, an Official Statement describing the Bonds, a Bond Purchase Contract for the Bonds and a Continuing Disclosure Agreement (as such terms are hereinafter defined);

NOW THEREFORE, IT IS HEREBY DETERMINED AND RESOLVED, as follows:

Section 1. The foregoing recitals are true and correct and this Board hereby so finds and determines.

Section 2. The Board hereby approves the issuance of the Bonds by the Authority, in an aggregate principal amount not to exceed $35,000,000, to be issued in one or more series and to carry such designation as the officer executing the same determines is appropriate.

Section 3. The officers of the County may, if it is determined to be necessary or desirable, assist the Authority in obtaining bond insurance for the Bonds and a surety bond or bonds with respect to all or a portion of the reserve requirement with respect to the Bonds.

Section 4. The proposed form of Fourth Amendment to Master Site Lease, dated as of August 1, 2001 (the "Fourth Amendment to Master Site Lease"), by and between the County and the Authority, on file with the Clerk of the Board of Supervisors, is hereby approved. The County Manager and Assistant County Manager are each hereby authorized and directed, acting singly, for and in the name and on behalf of the County, to execute and deliver the Fourth Amendment to Master Site Lease in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the term thereof shall not exceed July 25, 2039.

Section 5. The proposed form of Fourth Amendment to Master Facility Lease, dated as of August 1, 2001 (the "Fourth Amendment to Master Facility Lease"), by and between the Authority and the County, on file with the Clerk of the Board of Supervisors, is hereby approved. The County Manager and Assistant County Manager are each hereby authorized and directed, acting singly, for and in the name and on behalf of the County, to execute and deliver the Fourth Amendment to Master Facility Lease in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the average annual amount of additional base rental payable thereunder from the County general fund with respect to the additional projects financed with the Bonds shall not exceed $6,000,000.

Section 6. The proposed form of Continuing Disclosure Agreement, dated as of August 1, 2001 (the "Continuing Disclosure Agreement"), by and between the County and the Trustee, on file with the Clerk of the Board of Supervisors, is hereby approved. The County Manager and Assistant County Manager are each hereby authorized and directed, acting singly, for and in the name and on behalf of the County, to execute and deliver the Continuing Disclosure Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The proposed form of Bond Purchase Contract (the "Bond Purchase Contract") among the Authority, the County and UBS PaineWebber Inc., as the underwriters (the "Underwriters"), on file with the Clerk of the Board of Supervisors, is hereby approved. The County Manager and Assistant County Manager are each hereby authorized and directed, acting singly, for and in the name and on behalf of the County, to accept the offer of the Underwriters to purchase the Bonds as reflected in the Bond Purchase Contract; and to execute and deliver the Bond Purchase Contract in substantially the form on file with the Secretary of the Authority, with such additions, deletions or changes therein as such officer determines are necessary or appropriate and are approved by such officer, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Contract; provided, that the interest rate on the Bonds shall not exceed a true interest cost of six percent (6%) per annum and the underwriting discount (excluding any original issue discount) shall not exceed one and one-half percent (1.5%) of the principal amount of Bonds sold.

Section 8. The proposed form of Official Statement relating to the Bonds (the "Official Statement"), on file with the Clerk of the Board of Supervisors, is hereby approved. The County Manager and Assistant County Manager are each hereby authorized and directed, acting singly, for and in the name of and on behalf of the County, to execute and deliver the Official Statement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriters are hereby directed to distribute copies of the Official Statement to all actual purchasers of the Bonds. Distribution by the Underwriters of a Preliminary Official Statement relating to the Bonds (either in printed form or by posting electronically) is hereby approved and the County Manager and Assistant County Manager are each hereby authorized and directed, acting singly, to execute a certificate confirming that the Preliminary Official Statement has been "deemed final" by the County for purposes of Securities and Exchange Commission Rule 15c2-12.

Section 9. The Bonds in an aggregate principal amount not to exceed $35,000,000 shall be issued in accordance with the Trust Agreement and the Fifth Supplemental Trust Agreement which is hereby approved.

Section 10. The County Manager or Assistant County Manager is hereby authorized on behalf of the County to enter into or to instruct the Authority or the Trustee to enter into one or more investment agreements, swaps or other hedging products (hereinafter collectively referred to as the "Investment Agreement") providing for the investment of moneys in any of the funds and accounts created under the Trust Agreement, on such terms as such officer of the County shall deem appropriate. Pursuant to Section 5922 of the California Government Code, the Board of Supervisors hereby finds and determines that the Investment Agreement will reduce the amount and duration of interest rate risk with respect to amounts invested pursuant to the Investment Agreement and is designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the Bonds or enhance the relationship between risk and return with respect to investments.

Section 11. The officers and Supervisors of the County are hereby authorized and directed, acting singly, to do any and all things and to execute and deliver any and all documents and certificates which they deem necessary or advisable in order to consummate the execution and delivery of the documents mentioned herein and otherwise to effectuate the purposes of this Resolution and the transactions contemplated hereby. The documents and Bonds authorized herein may be dated such date and the Bonds may be assigned such different Series designations, as may be appropriate to indicate when the Bonds are actually sold or delivered or the nature of the Bonds.

Section 12. The County Manager and Assistant County Manager of the County, are hereby authorized and directed, acting singly, to execute and deliver any Certificate of the County or Written Request of the County required to be delivered pursuant to the Trust Agreement, the Fifth Supplemental Trust Agreement or the Bond Purchase Contract or otherwise as may be necessary or desirable in connection with the financing or the completion of the Projects, including the execution of any investment agreement or direction of investment with respect to Bond funds, which investments are hereby authorized to have terms of up to the term of the Bonds.

Section 13. This Resolution shall take effect from and after its adoption.

CLERK'S CERTIFICATE

I, ______________________________, Clerk of the Board of Supervisors of the County of San Mateo, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Supervisors of said County duly and regularly and legally held at the regular meeting place thereof on _________________ of which meeting all of the members of the Board of Supervisors of said County had due notice and at which a majority thereof were present.

At said meeting said resolution was adopted by the following vote:

Ayes:

Noes:

Absent:

I have carefully compared the same with the original minutes of said meeting on file and of record in my office and the foregoing is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes.

I further certify that an agenda of said meeting was posted at least 72 hours prior to the date of the meeting in a place in the City of Redwood City, California, freely accessible to members of the public and that a short description of said resolution appeared on said agenda.

Said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: __________

____

Clerk of the Board of Supervisors
County of San Mateo

[Seal]

Recording requested by
and return to:

SAN MATEO COUNTY JOINT
POWERS FINANCING AUTHORITY
c/o Orrick, Herrington & Sutcliffe LLP
Old Federal Reserve Bank Building
400 Sansome Street
San Francisco, California 94111
Attn: Mary A. Collins, Esq.

Exempt from Recording Fee Pursuant to
Government Code Section 6103

FOURTH AMENDMENT TO MASTER SITE LEASE

between the

COUNTY OF SAN MATEO

and the

SAN MATEO COUNTY JOINT
POWERS FINANCING AUTHORITY

Dated as of August 1, 2001

(Amending the Master Site Lease (San Mateo County
Health Center) dated as of April 15, 1994)

FOURTH AMENDMENT TO MASTER SITE LEASE

This Fourth Amendment to Master Site Lease, dated as of August 1, 2001 between the COUNTY OF SAN MATEO, a political subdivision organized and existing under and by virtue of the laws of the State of California (the "County"), as lessor, and the SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY (the "Authority"), as lessee, a joint exercise of power authority, duly organized and existing pursuant to an Agreement, dated May 14, 1993, entitled "Joint Exercise of Powers Agreement by and between the County of San Mateo and the Community Development Commission for the County of San Mateo";

W I T N E S S E T H

WHEREAS, this Fourth Amendment to Master Site Lease is entered into in order to amend in certain respects a lease between the County and the Authority entitled "Master Site Lease (San Mateo County Health Center)", dated as of April 15, 1994 and recorded on May 18, 1994, in the office of the County Recorder of the County, under Recorder's Serial No. 94089151, as amended by the First Amendment to Master Site Lease, dated as of April 1, 1995 and recorded on April 4, 1995 in the office of the County Recorder of the County under Recorder's Serial No. 95-003034, the Second Amendment to Master Site Lease, dated as of December 1, 1997 and recorded on January 14, 1998 in the office of the County Recorder of the County under Recorder's Serial No. 98-005126 (collectively, the "Master Site Lease") and the Third Amendment to Master Site Lease, dated as of January 1, 1999 and recorded on February 11, 1999 in the office of the County Recorder of the County under Recorder's Serial No. 99-024505 and to add to the property leased pursuant to the Master Site Lease certain additional real property on which a County crime lab and coroner's facility will be constructed ("Project

Phase X") [and certain real property required to be leased hereunder described as Project Phase V and Project Phase VI until project Phase X is completed and ready for occupancy] (capitalized terms used herein and not otherwise defined herein have the meanings assigned thereto by the Master Site Lease);

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. This Fourth Amendment to Master Site Lease shall become effective on the date of recordation of this instrument in the office of the County Recorder of the County, State of California, or on January 1, 2002, whichever is earlier, and such date of commencement shall be hereinafter referred to as the "effective date."

Section 2. From and after the effective date of this instrument, the County, for good and valuable consideration the sufficiency of which is hereby acknowledged, hereby leases to the Authority and the Authority hereby leases from the County, the real property described in Exhibit A hereto, which real property is hereby added to the Demised Premises leased pursuant to the Master Site Lease. The Authority agrees to lease said real property back to the County pursuant to the Facility Lease.

Section 3. Section 2 of the Master Site Lease is hereby amended to read as follows:

> "The term of this Lease commenced on May 18, 1994, and shall end on July 25, 2033 unless such term is extended or sooner terminated as hereinafter provided. If on July 25, 2033 the Bonds and all other amounts due under the Trust Agreement and the Facility Lease shall not be fully paid, or if the rental or other amounts payable under the Facility Lease shall have been abated at any time and for any reason, then the term of this Lease shall be extended until ten (10) days after the Bonds and all other amounts due under the Trust Agreement and the Facility Lease shall be fully paid, except that the term of this Lease shall in no event be extended beyond July 25, 2039. If prior to July 25, 2033 the Bonds and all other amounts due under the Trust Agreement and the Facility Lease shall be fully paid, the term of this Lease shall end ten (10) days thereafter or upon written notice by the Authority

to the County, whichever is earlier; provided that with respect to Project Phase V and Project Phase VI, the term hereof shall end upon the completion and occupancy of Project Phase IV and Project Phase X by the County, as contemplated by Section 2.03 of the Facility Lease."

Section 4. The County hereby represents and warrants that the County upon the substantial completion thereof will take possession of and will occupy Project Phase X and the Demised Premises throughout the remaining term of this Lease under the terms and provisions of the Facility Lease.

Section 5. The Series 2001 Bond Insurer shall have the benefit of all provisions relating to the 1994 Series A Bond Insurer included in the Facility Lease, the Site Lease and the Trust Agreement and any reference to "Bond Insurer" shall include the Series 2001 Bond Insurer.

Section 6. Except as in this Fourth Amendment to Master Site Lease expressly provided, the Master Site Lease shall continue in full force and effect in accordance with the terms and provisions thereof, as amended hereby.

Section 7. If one or more of the terms, provisions, covenants or conditions of this Fourth Amendment to Master Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Fourth Amendment to Master Site Lease shall be affected thereby, and each provision of this Fourth Amendment to Master Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 8. This Fourth Amendment to Master Site Lease may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the County and the Authority have caused this Fourth Amendment to Master Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

COUNTY OF SAN MATEO,
Lessor

By ______________________________
Assistant County Manager

SAN MATEO COUNTY JOINT POWERS
FINANCING AUTHORITY,
Lessee

By ______________________________
President

EXHIBIT A

Additions to Demised Premises

Project Phase X
(Crime Lab,
________ Tower Road, San Mateo County, California)

All that certain real property situated in the County of San Mateo, State of California, described as follows:

Beginning at a point of cusp which is the intersection of the easterly line of Polhemus Road, County Road No. 17c and the southwesterly line of Ralston Avenue, County Road No. 19; thence along said southwesterly line South 40° 06' 51" East 597.52 feet and on the arc of a tangent curve to the left having a radius of 2350 feet, a central angle of 06° 08' 37", an arc length of 251.98 feet; thence leaving said southwesterly line South 43° 44' 34" West 52.88 feet, South 41° 11' 38" East 68.09 feet, and South 51° 52' 52" East 89.59 feet to the northerly line of that parcel described in the "Site Lease" to San Mateo County Election Equipment Corporation recorded June 29, 1967 in Volume 5326, Official Records of San Mateo County, Page 709; thence along said northerly line and its westerly prolongation North 86° 49' 25" West 454.23 feet to said easterly line of Polhemus Road, County Road No. 17c; thence along said easterly line, northerly, on the arc of a curve to the left, a radial line to the beginning of said curve bearing North 86° 02' 16" East, having a radius of 2350 feet, a central angle of 19° 10' 42", an arc length of 786.59 feet to the Point of Beginning.

Containing 3.65 Ac., more or less

CONSENT OF TRUSTEE

The undersigned, as trustee under the Trust Agreement dated as of April 15, 1994, as amended, between the San Mateo County Joint Powers Financing Authority (the "Authority") and the trustee hereby acknowledges and consents to the execution and delivery of the Fourth Amendment to Master Site Lease dated as of August 1, 2001, between the County of San Mateo (the "County") and the Authority, relating to the Master Site Lease (San Mateo Health Center), dated as of April 15, 1994, between the County and the Authority.

U.S. BANK TRUST NATIONAL
ASSOCIATION, as Trustee

By ______________________________
Authorized Officer

CONSENT OF BOND INSURER

The undersigned, as Bond Insurer on all outstanding Bonds, issued pursuant to the Trust Agreement dated as of April 15, 1994, between the San Mateo County Joint Powers Financing Authority (the "Authority") and the trustee, as amended, hereby consents to the execution and delivery of the Fourth Amendment to Master Site Lease dated as of August 1, 2001, between the County of San Mateo (the "County") and the Authority, relating to the Master Site Lease (San Mateo Health Center), dated as of April 15, 1994, between the County and the Authority. The Bond Insurer makes no representations as to the adequacy or sufficiency of this consent for the purposes of the parties to said Fourth Amendment to Master Site Lease. Execution of this consent by the Bond Insurer shall not be construed or deemed to be made for the benefit of any other person or entity, including without limitation, the Owners of the Bonds, nor does such consent evidence any position, affirmative or negative, as to whether action by the Owners of the Bonds is required in addition to the execution of this consent by the Bond Insurer.

FINANCIAL SECURITY ASSURANCE INC.

By ____________________________________
Authorized Officer

Recording requested by
and return to:

COUNTY OF SAN MATEO
c/o Orrick, Herrington & Sutcliffe
Old Federal Reserve Bank Building
400 Sansome Street
San Francisco, California 94111
Attention: Mary A. Collins

Exempt from Recording Fee Pursuant to
Government Code Section 6103

FOURTH AMENDMENT TO MASTER FACILITY LEASE

by and between

SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY

and the

COUNTY OF SAN MATEO

Dated as of August 1, 2001

(Amending the Master Facility Lease (San Mateo County
Health Center) dated as of April 15, 1994)

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FOURTH AMENDMENT TO MASTER FACILITY LEASE

This Fourth Amendment to Master Facility Lease, dated as of August 1, 2001, between the SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY, a joint exercise of powers authority, duly organized and existing pursuant to an Agreement entitled "Joint Exercise of Powers Agreement by and between the County of San Mateo and the Community Development Commission for the County of San Mateo," (herein called the "Authority"), as lessor, and the COUNTY OF SAN MATEO, a political subdivision organized and validly existing under the Constitution and laws of the State of California (herein called the "County"), as lessee;

W I T N E S S E T H:

WHEREAS, the County has leased certain real property and the improvements thereon to the Authority by a lease, entitled "Master Site Lease (San Mateo County Health Center)" and dated as of April 15, 1994 and recorded on May 18, 1994 in the office of the County Recorder of the County, under Recorder's Serial No. 94089151, as amended by a First Amendment to Master Site Lease, dated as of April 1, 1995 and recorded on April 4, 1995 in the office of the County Recorder of the County under Recorder's Serial No. 95-003034, a Second Amendment to Master Site Lease, dated as of December 1, 1997 and recorded on January 14, 1998 in the office of the County Recorder of the County under Recorder's Serial No. 98-005126, a Third Amendment to Master Site Lease, dated as of January 1, 1999 and recorded on February 11, 1999 in the office of the County Recorder of the County under Recorder's Serial No. 99-024505, and a Fourth Amendment to Master Site Lease, dated as of August 1, 2001; and

WHEREAS, this Fourth Amendment to Master Facility Lease is entered into to amend and supplement in certain respects a lease between the Authority and the County entitled "Master Facility Lease (San Mateo County Health Center)", dated as of April 15, 1994 and recorded on May 18, 1994 in the office of the County Recorder of the County, State of California, under Recorder's Serial No. 94089152, as amended by the First Amendment to Master Facility Lease, dated as of April 1, 1995 and recorded on April 4, 1995 in the office of the County Recorder of the County, under Recorder's Serial No. 95-033035, the Second Amendment to Master Facility Lease, dated as of December 1, 1997 and recorded on January 14, 1998 in the office of the County Recorder of the County, under Serial No. 98-005127 and the Third Amendment to Master Facility Lease, dated as of January 1, 1999 and recorded on February 11, 1999 in the office of the County Recorder of the County under Serial No. 99-024506 (herein together with all supplements and amendments thereto, collectively called the "Facility Lease") and to add to the property leased pursuant to the Master Facility Lease certain additional real property on which a County forensics laboratory and coroner's office will be constructed and to extend the time certain real property is leased hereunder until Project Phase X is completed and ready for occupancy;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE XIV

Lease Revenue Bonds (Capital Projects) Series 2001 and Project Phase X

Section 14.01. Effective Date. This Fourth Amendment to Master Facility Lease shall become effective on the date of recordation of this instrument in the office of the County Recorder of the County, State of California, or on January 1, 2002, whichever is earlier, and such date of commencement shall be hereinafter referred to as the "effective date" and on the effective date the additional real property hereby added to the Facility Lease and set forth in Exhibit A hereto shall be encumbered by the Facility Lease and references to Demised Premises in the Facility Lease shall include the real property described in Exhibit A.

Section 14.02. Additional Definitions. From and after the effective date of this instrument, the following new definitions shall be added to Section 1.01 of the Facility Lease, in alphabetical order, to read as follows:

"Financed Facilities

The term "Financed Facilities" means Project Phase X, and other capital facilities and equipment including a portion of the microwave and law enforcement mutual aid communications system and a sheriff's radio system as specified by the County in Exhibit C to the Fourth Amendment to the Facility Lease, as the same may be amended by the County from time to time.

"Fourth Amendment to Master Facility Lease

The term "Fourth Amendment to Master Facility Lease" means that Fourth Amendment to Master Facility Lease between the Authority and the County, dated as of August 1, 2001."

"Project Phase X

The term "Project Phase X" means a Subsequent Phase of the Project consisting of the County forensics laboratory and coroner's office to be located in the unincorporated area of the County, including all landscaping, improvements, equipment and appurtenant and related facilities."

"Series 2001 Bonds

The term "Series 2001 Bonds" means collectively, the 2001 Series A Bonds and the 2001 Series B Bonds."

"Series 2001 Bond Insurer

The term "Series 2001 Bond Insurer" means Financial Security Assurance Inc., or any successor thereto or assignee thereof."

"2001 Series A Bonds

The term "2001 Series A Bonds" means the bonds issued by the Authority under and pursuant to the Trust Agreement and the Fifth Supplemental Trust Agreement, the proceeds of which will be applied to the acquisition, construction and equipping of the Financed Facilities, including the financing of Project Phase X and to the payment of costs related thereto."

"2001 Series B Bonds

The term "2001 Series B Bonds" means the bonds issued by the Authority under and pursuant to the Trust Agreement and the Fifth Supplemental Trust Agreement, the proceeds of which will be applied to the acquisition, construction and equipping of the Financed Facilities, including the financing of Project Phase X and to the payment of costs related thereto."

Section 14.03. Amendment to Section 2.02 (a). Section 2.02 (a) of the Master Facility Lease is hereby amended to read as follows:

"Term. The term of this Lease commenced on May 18, 1994, and shall end on July 15, 2033 unless such term is extended or sooner terminated as hereinafter provided. If on July 15, 2033 the Bonds and all other amounts due under the Trust Agreement and the Facility Lease shall not be fully paid, or if the rental or other amounts payable under the Facility Lease shall have been abated at any time and for any reason, then the term of this Lease shall be extended until the Bonds and all other amounts due under the Trust Agreement and the Facility Lease shall be fully paid, except that the term of this Lease shall in no event be extended beyond July 15, 2039. If prior to July 15, 2033 the Bonds and all other amounts due under the Trust Agreement and the Facility Lease shall be fully paid, the term of this Lease shall end ten (10) days thereafter or upon written notice by the Authority to the County, whichever is earlier; provided that with respect to Project Phase V and Project Phase VI, the term hereof shall end upon the completion and occupancy of Project Phase IV and Project Phase X by the County, as contemplated by Section 2.03."

Section 14.04. Amendment to Section 2.02. From and after the effective date of this instrument, there shall be added to Section 2.02 of the Facility Lease the following paragraph, which shall read as follows:

> "(j) Occupancy of Project Phase X. The County shall take possession of Project Phase X upon the substantial completion thereof."

Section 14.05. Use of Proceeds of Series 2001 Bonds. The parties hereto agree that the proceeds of the Series 2001 Bonds will be used by the Authority to finance the acquisition, construction and equipping of the Financed Facilities, including Project Phase X and to pay costs related thereto as specified in the Fifth Supplemental Trust Agreement. For the purposes of Project Phase X, the Authority hereby appoints the County as its agent to design and construct Project Phase X and the County agrees to such appointment. The County may amend the Financed Facilities by delivering a certificate to the Authority and the County containing the amendment and certifying that such amendment does not adversely affect the exclusion from gross income of interest on the Bonds.

Section 14.06. Increase to Base Rental Payments; Prepayment. From and after the effective date of this instrument, Exhibit B attached to the Facility Lease, the Base Rental Payments, shall be amended and restated as set forth in Exhibit B attached hereto. The County may prepay Base Rental and cause a corresponding redemption of Bonds at the times and in the manner contemplated by the Trust Agreement.

Section 14.07. Project Phase X. The County hereby represents and warrants that the County will take possession of and will occupy Project Phase X upon its substantial completion and the Demised Premises thereof throughout the term of this Lease under the terms and provisions of this Lease. The County covenants and agrees to proceed to design and construct Project Phase X, from amounts in the 2001 Acquisition and Construction Fund or otherwise available, with due diligence until completion.

Section 14.08. Title Insurance. The County shall obtain upon the execution and delivery of this Fourth Amendment to Master Facility Lease policies of title insurance or supplements to existing policies on the Demised Premises, in form and substance and in an amount satisfactory to the Bond Insurer, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances. Proceeds of such insurance shall be delivered to the Trustee as a prepayment of rent pursuant to Section 7.02 and shall be applied by the Trustee to the redemption of Bonds pursuant to Section 4.01 and Section 37.01 of the Trust Agreement.

Section 14.09. Continuing Disclosure. The County hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Lease, failure of the County to comply with the Continuing Disclosure Agreement shall not be considered an event of default hereunder; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Owners of at least 25% aggregate principal amount of Bonds Outstanding and provided satisfactory indemnification is provided to the Trustee, shall) or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to compel the County to comply with its obligations under this Section 14.09.

Section 14.10. The Series 2001 Bond Insurer. The Series 2001 Bond Insurer shall have the benefit of all provisions relating to the 1994 Series A Bond Insurer, the 1995 Series A Bonds Insurer, the 1997 Series A Bond Insurer and the 1999 Series A Bond Insurer included in the Facility Lease, the Site Lease and the Trust Agreement and any reference to "Bond Insurer" shall include the Series 2001 Bond Insurer.

Section 14.11. Trust Agreement. The parties hereto acknowledge that the County is a third-party beneficiary to the Trust Agreement, and the Authority hereby agrees that during the term of the Facility Lease and provided the County is not in default hereunder, it will not amend the Trust Agreement in any manner materially adverse to the interests of the County.

Section 14.12. Facility Lease in Full Force and Effect. Except as in this Fourth Amendment to Master Facility Lease expressly provided, the Facility Lease shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented hereby.

Section 14.13. Execution in Counterparts. This Fourth Amendment to Master Facility Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same Fourth Amendment to Master Facility Lease. It is also agreed that separate counterparts of this Fourth Amendment to Master Facility Lease may separately be executed by the Authority and the County, all with the same force and effect as though the same counterpart had been executed by both the Authority and the County.

IN WITNESS WHEREOF, the Authority and the County have caused this Fourth Amendment to Master Facility Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

SAN MATEO COUNTY JOINT POWERS
FINANCING AUTHORITY
as Lessor

By______________________________
President

COUNTY OF SAN MATEO,
as Lessee

By____

Assistant County Manager

EXHIBIT A

Addition to Demised Premises

Project Phase X
(Crime Lab,
__________ Tower Road, San Mateo County, California)

All that certain real property situated in the County of San Mateo, State of California, described as follows:

Beginning at a point of cusp which is the intersection of the easterly line of Polhemus Road, County Road No. 17c and the southwesterly line of Ralston Avenue, County Road No. 19; thence along said southwesterly line South 40° 06' 51" East 597.52 feet and on the arc of a tangent curve to the left having a radius of 2350 feet, a central angle of 06° 08' 37", an arc length of 251.98 feet; thence leaving said southwesterly line South 43° 44' 34" West 52.88 feet, South 41° 11' 38" East 68.09 feet, and South 51° 52' 52" East 89.59 feet to the northerly line of that parcel described in the "Site Lease" to San Mateo County Election Equipment Corporation recorded June 29, 1967 in Volume 5326, Official Records of San Mateo County, Page 709; thence along said northerly line and its westerly prolongation North 86° 49' 25" West 454.23 feet to said easterly line of Polhemus Road, County Road No. 17c; thence along said easterly line, northerly, on the arc of a curve to the left, a radial line to the beginning of said curve bearing North 86° 02' 16" East, having a radius of 2350 feet, a central angle of 19° 10' 42", an arc length of 786.59 feet to the Point of Beginning.

Containing 3.65 Ac., more or less

EXHIBIT B

Aggregate Base Rental Payment Schedule - Phases I through X

[to come from Financial Advisor]

[INSERT NOTARY FORMS]

CONSENT OF TRUSTEE

The undersigned, as trustee under the Trust Agreement dated as of April 15, 1994, as amended, between the San Mateo County Joint Powers Financing Authority (the "Authority") and the trustee hereby acknowledges and consents to the execution and delivery of the Fourth Amendment to Master Facility Lease dated as of August 1, 2001, between the Authority and the County of San Mateo (the "County") relating to the Master Facility Lease (San Mateo County Health Center) dated as of April 15, 1994, between the Authority and the County.

U.S. BANK TRUST, NATIONAL ASSOCIATION, as Trustee

By_______________________________
Authorized Officer

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40202-39 MAC

CONSENT OF BOND INSURER

The undersigned, as Bond Insurer on all outstanding Bonds, issued pursuant to the Trust Agreement dated as of April 15, 1994, between the San Mateo County Joint Powers Financing Authority (the "Authority") and the trustee, as amended, hereby consents to the execution and delivery of the Fourth Amendment to Master Facility Lease dated as of August 1, 2001, between the Authority and the County of San Mateo (the "County") relating to the Master Facility Lease (San Mateo County Health Center) dated as of April 15, 1994, between the Authority and the County. The Bond Insurer makes no representations as to the adequacy or sufficiency of this consent for the purposes of the parties to said Fourth Amendment to Master Facility Lease. Execution of this consent by the Bond Insurer shall not be construed or deemed to be made for the benefit of any other person or entity, including without limitation, the Owners of the Bonds, nor does such consent evidence any position, affirmative or negative, as to whether action by the Owners of the Bonds is required in addition to the execution of this consent by the Bond Insurer.

FINANCIAL SECURITY ASSURANCE INC.

By________________________________

Authorized Officer

FIFTH SUPPLEMENTAL TRUST AGREEMENT

by and between

U.S. BANK TRUST NATIONAL ASSOCIATION

and the

SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY

Dated as of August 1, 2001

RELATING TO SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY LEASE REVENUE BONDS
(CAPITAL PROJECTS), $________ 2001 SERIES A AND $________ 2001 SERIES B

(Supplementing the Trust Agreement
dated as of April 15, 1994)

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FIFTH SUPPLEMENTAL TRUST AGREEMENT

This FIFTH SUPPLEMENTAL TRUST AGREEMENT, dated as of August 1, 2001, by and between U.S. BANK TRUST NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (together with any successor thereto, the "Trustee"), and the SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY (the "Authority"), a joint exercise of powers authority, duly organized and validly existing pursuant to an Agreement entitled "Joint Exercise of Powers Agreement by and between the County of San Mateo and the Community Development Commission for the County of San Mateo"; being supplemental to the trust agreement, dated as of April 15, 1994, by and between Bank of America National Trust and Savings Association, as predecessor trustee and the Authority;

WITNESSETH:

WHEREAS, the County of San Mateo (the "County") has leased certain real property and improvements thereon to the Authority pursuant to a Master Site Lease, dated as of April 15, 1994 (herein, together with amendments from time to time thereto, called the "Site Lease");

WHEREAS, the County and the Authority have entered into a Fourth Amendment to Master Site Lease , dated as of August 1, 2001 (herein called the "Fourth Amendment to Master Site Lease"), to amend the Site Lease in certain respects and to lease to the Authority certain additional property;

WHEREAS, the Authority is acquiring and constructing certain facilities, buildings and equipment and leasing said facilities, buildings and equipment to the County pursuant to a Master Facility Lease (San Mateo County Health Center), dated as of April 15, 1994, as amended, including as amended by the Fourth Amendment to Master Facility Lease, dated as of August 1, 2001 (herein, together with other amendments thereto, collectively called the "Facility Lease");

WHEREAS, the Trustee and the Authority have heretofore executed the Trust Agreement, dated as of April 15, 1994, as supplemented, including as supplemented by this Fifth Supplemental Trust Agreement dated as of August 1, 2001 (herein, together with other supplements thereto, collectively called the "Trust Agreement");

WHEREAS, heretofore the Authority has issued pursuant to the Trust Agreement \$124,355,000 San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (San Mateo County Health Center), 1994 Series A (the "1994 Series A Bonds"), \$19,225,000 San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects), 1995 Series A (the "1995 Series A Bonds"), \$63,205,000 San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects), 1997 Series A (the "1997 Series A Bonds") and $113,140,000 San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects), 1999 Refunding Series A (the "1999 Series A Bonds");

WHEREAS, under the Facility Lease, the County is obligated to make base rental payments to the Authority for the lease of the Project;

WHEREAS, all rights to receive such base rental payments have been pledged without recourse by the Authority to the Trustee pursuant to the Trust Agreement;

WHEREAS, the Authority may at any time, with the consent of the Bond Insurer, issue Additional Bonds payable from, and secured by a pledge of and lien upon, the Revenues, as provided in Section 3.03 (as amended by Section 17.01) of the Trust Agreement, provided that the proceeds of such Additional Bonds be applied to, among other things, the construction or acquisition of Subsequent Phases of the Project or the refunding of any Bonds then Outstanding or for any other purpose acceptable to the Bond Insurer;

WHEREAS, in order to provide additional funds for the Project and other capital facilities, the County has requested that the Authority acquire a leasehold interest in Project Phase X consisting of the County forensic laboratory and coroner's office;

WHEREAS, the other capital facilities to be financed with the proceeds of the 2001 Series A Bonds include the law enforcement communications system consisting of the Microwave and Law Enforcement Mutual Aid Communications System and the Sheriff's Radio System (as further defined herein, the "Financed Facilities");

WHEREAS, under the Fourth Amendment to Master Facility Lease, the County is obligated to pay increased base rental payments to the Authority;

WHEREAS, in consideration of such increased base rental payments and other adequate consideration, the Authority has agreed to issue bonds entitled "San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects), 2001 Series A" (the "2001 Series A Bonds"), in the aggregate principal amount of $_________,000 and bonds entitled "San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects), 2001 Series B" (the "2001 Series B Bonds" and collectively with the 2001 Series A Bonds, the "Series 2001 Bonds"), in the aggregate principal amount of $________ to provide funds for the Financed Facilities, including Project Phase X and to acquire a leasehold interest in Project Phase X, and in connection therewith the Authority and the County have provided for the amendment of the Site Lease and the Facility Lease;

WHEREAS, the Series 2001 Bonds are payable from Revenues on a parity basis with the 1994 Series A Bonds, the 1995 Series A Bonds, the 1997 Series A Bonds, the 1999 Series A Bonds and any Additional Bonds hereafter issued by the Authority under the Trust Agreement; and

WHEREAS, all acts and proceedings required by law necessary to make the Series 2001 Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal obligations of the Authority payable in accordance with their terms, and to constitute the Trust Agreement a valid and binding agreement of the parties hereto for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Fifth Supplemental Trust Agreement have been in all respects duly authorized;

NOW, THEREFORE, THIS FIFTH SUPPLEMENTAL TRUST AGREEMENT WITNESSETH, that in order to secure the full and timely payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under the Trust Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective holders from time to time of the Bonds, as follows:

ARTICLE XXXIV

ADDITIONAL DEFINITIONS

SECTION 34.01 Additional Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of the Trust Agreement and of any amendment hereof or supplement hereto and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein and to the extent the definitions in this Section differ from the definitions of such terms contained in Section 1.01 or Section 12.01 or Section 19.01 or Section 26.01 of the Trust Agreement, the definitions in this Section shall control and the definitions in Section 1.01, Section 12.01, Section 19.01 or Section 26.01 shall be amended accordingly. Capitalized terms not otherwise defined herein shall have the meaning assigned to such terms in the Facility Lease.

Facility Lease

The term "Facility Lease" means that certain lease, entitled "Master Facility Lease (San Mateo County Health Center)," by and between the Authority and the County, dated as of April 15, 1994, which lease or a memorandum thereof was recorded in the office of the County Recorder of the County on May 18, 1994 under Recorder's Serial No. 94089152, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions hereof and thereof including the First Amendment to Master Facility Lease, the Second Amendment to Master Facility Lease, the Third Amendment to Master Facility Lease and the Fourth Amendment to Master Facility Lease.

Fifth Supplemental Trust Agreement

The term "Fifth Supplemental Trust Agreement" means this Fifth Supplemental Trust Agreement, dated as of August 1, 2001, by and between the Trustee and the Authority, executed and delivered in accordance with the Trust Agreement and which is supplemental to the Trust Agreement.

Financed Facilities

The term "Financed Facilities" means Project Phase X, and other capital facilities and equipment including a portion of the microwave and law enforcement mutual aid communications system and a sheriff's radio system as specified by the County pursuant to the Facility Lease.

Fourth Amendment to Master Facility Lease

The term "Fourth Amendment to Master Facility Lease" means that certain lease and instrument, entitled "Fourth Amendment to Master Facility Lease," by and between the Authority and the County, dated as of August 1, 2001, which instrument or a memorandum thereof was recorded in the office of the County Recorder of the County on ____________ under Recorder's Serial No. _________, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions hereof and thereof.

Fourth Amendment to Master Site Lease

The term "Fourth Amendment to Master Site Lease" means that certain lease and instrument, entitled "Fourth Amendment to Master Site Lease," by and between the County and the Authority, dated as of August 1, 2001, which instrument or a memorandum thereof was recorded in the office of the County Recorder of the County on _____________ under Recorder's Serial Number ___________, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions hereof and thereof.

Project

The term "Project" means Project Phases I through X and all Subsequent Phases of the Project or any County facility or facilities substituted for the Project or any portion thereof in accordance with the Facility Lease and the Trust Agreement.

Project Phase X

The term "Project Phase X" means a Subsequent Phase of the Project consisting of a County forensics laboratory and coroner's office to be located in the unincorporated area of the County, including landscaping, improvements, equipment and appurtenant and related facilities.

Representation Letter

The term "Representation Letter" means the letters of representation in customary form delivered by the Authority and the Trustee to DTC relating to Bonds in book-entry form.

Series 2001 Bond Insurer

The term "Series 2001 Bond Insurer" means Financial Security Assurance Inc., or any successor thereto or assignee thereof.

Series 2001 Continuing Disclosure Agreement

The term "Series 2001 Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement among the Authority, the County and the Trustee dated as of August 1, 2001, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Site Lease

The term "Site Lease" means that certain lease, entitled "Master Site Lease (San Mateo County Health Center)," by and between the County and the Authority, dated as of April 15, 1994, which lease or a memorandum thereof was recorded in the office of the County Recorder of the County on May 18, 1994 under Recorder's Serial Number 94089151, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions hereof and thereof including the First Amendment to Master Site Lease, the Second Amendment to Master Site Lease, the Third Amendment to Master Site Lease and the Fourth Amendment to Master Site Lease.

2001 Bond Insurance Policy

The term "2001 Bond Insurance Policy" means the insurance policy issued by the Series 2001 Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2001 Bonds when due.

2001 Costs of Issuance Fund

The term "2001 Costs of Issuance Fund" means the fund by that name established pursuant to Section 36.01 of this Fifth Supplemental Trust Agreement.

2001 Series A Bonds

The term "Series 2001 A Bonds" means the bonds of such designated series issued by the Authority under and pursuant to the Trust Agreement and this Fifth Supplemental Trust Agreement, the proceeds of which will be applied to the acquisition, construction and equipping of the Financed Facilities, including Project Phase X and to the payment of costs related thereto.

2001 Series B Bonds

The term "2001 Series B Bonds" means the bonds of such designated series issued by the Authority under and pursuant to the Trust Agreement and this Fifth Supplemental Trust Agreement, the proceeds of which will be applied to the acquisition, construction and equipping of the Financed Facilities, including Project Phase X and to the payment of costs related thereto.

ARTICLE XXXV

TERMS AND CONDITIONS OF THE SERIES 2001 BONDS

SECTION 35.01 Authorization of Series 2001 Bonds. A Series of Bonds is hereby created and, notwithstanding Section 2.01(a), designated "San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects), 2001 Series A." The aggregate principal amount of 2001 Series A Bonds which may be issued and Outstanding under the Trust Agreement shall not exceed ____________________ Million _______ Hundred __________ Thousand Dollars ($____________). The 2001 Series A Bonds shall be payable from the Revenues and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the Outstanding Bonds. The 2001 Series A Bonds are issued in accordance with Section 3.03, as amended

A Series of Bonds is hereby created and, notwithstanding Section 2.01(a), designated "San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects), 2001 Series B." The aggregate principal amount of 2001 Series B Bonds which may be issued and Outstanding under the Trust Agreement shall not exceed ____________________ Million _______ Hundred __________ Thousand Dollars ($____________). The 2001 Series B Bonds shall be payable from the Revenues and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the Outstanding Bonds. The 2001 Series B Bonds are issued in accordance with Section 3.03, as amended

The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Series 2001 Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Series 2001 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Authority is now duly authorized, pursuant to each and every requirement of the Act, to issue the Series 2001 Bonds in the form and manner provided herein for the purpose of providing funds to finance the acquisition and construction of the Financed Facilities, including Project Phase X, and that the Series 2001 Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

SECTION 35.02 Terms of the Series 2001 Bonds. (a) 2001 Series A Bonds. The Series 2001 Bonds shall be in the aggregate principal amount of $____________, consisting of all Current Interest Bonds. The 2001 Series A Bonds shall be Fixed Rate Bonds, and shall be dated August 1, 2001, shall be issued only in fully registered form in denominations of five thousand dollars ($5,000) or any integral multiple of five thousand dollars ($5,000) (not exceeding the principal amount of 2001 Series A Bonds maturing at any one time), and shall mature on the dates and in the principal amounts and bear interest at the rates as set forth in the following schedule:

2001 Series A Bonds

Maturity Date (July 15)	Principal Amount	Interest Rate
2004	$	%
2005		
2006		
2007		
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2033*		

* Term Bond

(b) 2001 Series B Bonds. The 2001 Series B Bonds shall be in the aggregate principal amount of $____________, consisting of all Current Interest Bonds. The 2001 Series B Bonds shall be Fixed Rate Bonds, and shall be dated August 1, 2001, shall be issued only in fully registered form in denominations of five thousand dollars ($5,000) or any integral multiple of five thousand dollars ($5,000) (not exceeding the principal amount of 2001 Series B Bonds maturing at any one time), and shall mature on the dates and in the principal amounts and bear interest at the rates as set forth in the following schedule:

2001 Series B Bonds

Maturity Date (July 15)	Principal Amount	Interest Rate
2004	$	%
2005		
2006		
2007		
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2033*		

* Term Bond

The principal of the Series 2001 Bonds shall be payable by check in lawful money of the United States of America upon surrender thereof by the Bondholder at the Principal Corporate Trust Office of the Trustee.

The Series 2001 Bonds shall bear interest at the rates set forth above, payable on January 15, 2002, and semi-annually thereafter on January 15 and July 15 in each year.

The Series 2001 Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is an Interest Payment Date or during the period from the first (1^{st}) day of the month containing an Interest Payment Date to such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before January 1, 2002, being the first Record Date for the Series 2001 Bonds, in which event they shall bear interest from August 1, 2001; provided, however, that if at the time of authentication of any Series 2001 Bond interest is then in default on the Outstanding Series 2001 Bonds, such Series 2001 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Series 2001 Bonds.

Payment of interest on the Series 2001 Bonds due on or before the maturity or prior redemption thereof shall be made to the person whose name appears in the Series 2001 Bonds registration books kept by the Trustee pursuant to Section 35.07 as the registered owner thereof as of the close of business on the Record Date for an Interest Payment Date, whether or not such day is a Business Day, such interest to be paid by check mailed by first-class mail on each Interest Payment Date to such registered owner at the address as it appears in such books; provided that upon the written request of a Bondholder of $1,000,000 or more in aggregate principal amount of Series 2001 Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds to an account at a financial institution in the United States of America.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the Bondholder in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof being given to the Bondholders not less than ten (10) days prior to such Special Record Date.

SECTION 35.03 Form of Series 2001 Bonds. The Series 2001 Bonds and the authentication and registration endorsement and assignment to appear thereon shall be substantially in the forms set forth in Exhibit A hereto attached and by this reference herein incorporated.

SECTION 35.04 Execution of Series 2001 Bonds. The President of the Authority is hereby authorized and directed to execute each of the Series 2001 Bonds on behalf of the Authority and the Secretary of the Authority is hereby authorized and directed to countersign each of the Series 2001 Bonds on behalf of the Authority. The signatures of such President and Secretary may be printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the Series 2001 Bonds shall cease to be such officer before the delivery of the Series 2001 Bonds to the purchasers thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Series 2001 Bonds.

Only those Series 2001 Bonds bearing thereon a certificate of authentication in the form set forth in Exhibit A hereto, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Series 2001 Bonds so authenticated have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

SECTION 35.05 Transfer and Payment of Series 2001 Bonds. Any Series 2001 Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 35.07 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2001 Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any Series 2001 Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of the same Series and maturity for a like aggregate principal amount of authorized denominations. The Trustee shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege. The Authority and the Trustee may, except as otherwise provided herein, deem and treat the registered owner of any Series 2001 Bonds as the absolute owner of such Series 2001 Bonds for the purpose of receiving payment thereof and for all other purposes, whether such Series 2001 Bonds shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Series 2001 Bonds shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on such Series 2001 Bonds to the extent of the sum or sums so paid.

The Trustee shall not be required to register the transfer of or exchange any Series 2001 Bonds which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Series 2001 Bond selected for redemption in whole or in part as provided in Section 37.01(d) or during the period established by the Trustee for selection of Series 2001 Bonds for redemption.

SECTION 35.06 Exchange of Series 2001 Bonds. Series 2001 Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of Series 2001 Bonds of the same Series and maturity of other authorized denominations. The Trustee shall require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The Trustee shall not be required to exchange any Series 2001 Bond which has been selected for redemption in whole or in part from and after the day of mailing of a notice of redemption of such Series 2001 Bond selected for redemption in whole or in part as provided in Section 37.01(d) or during the period established by the Trustee for selection of Series 2001 Bonds for redemption.

SECTION 35.07 Series 2001 Bonds Registration Books. The Trustee will keep at its office sufficient books for the registration and transfer of the Series 2001 Bonds which shall during normal business hours be open to inspection by the Authority, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Series 2001 Bonds in such books as hereinabove provided.

SECTION 35.08 Mutilated, Destroyed, Stolen or Lost Series 2001 Bonds. If any Series 2001 Bond shall become mutilated, the Trustee, at the expense of the Bondholder, shall thereupon authenticate and deliver a new Series 2001 Bond of like tenor and amount in exchange and substitution for the Series 2001 Bond so mutilated, but only upon surrender to the Trustee of the Series 2001 Bond so mutilated. Every mutilated Series 2001 Bond so surrendered to the Trustee shall be cancelled.

If any Series 2001 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee and the Series 2001 Bond Insurer shall be given, the Trustee, at the expense of the Bondholder, shall thereupon authenticate and deliver a new Series 2001 Bond of like series and tenor in lieu of and in substitution for the Series 2001 Bond so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new Series 2001 Bond issued under this Section 35.08 and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Series 2001 Bond issued under the provisions of this Section in lieu of any Series 2001 Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Trust Agreement with all other Bonds of the same Series secured by the Trust Agreement. Neither the Authority nor the Trustee shall be required to treat both the original Series 2001 Bond and any replacement Series 2001 Bond as being Outstanding for the purpose of determining the principal amount of Series 2001 Bonds which may be issued hereunder or for the purpose of determining any percentage of Series 2001 Bonds Outstanding hereunder, but both the original and replacement Series 2001 Bond shall be treated as one and the same.

SECTION 35.09 Temporary Series 2001 Bonds. The Series 2001 Bonds issued under the Trust Agreement may be initially issued in temporary form exchangeable for definitive Series 2001 Bonds when ready for delivery. The temporary Series 2001 Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be in fully registered form and may contain such reference to any of the provisions of the Trust Agreement as may be appropriate. Every temporary Series 2001 Bond shall be executed and authenticated as authorized by the Authority, in accordance with the terms of the Act. If the Authority issues temporary Series 2001 Bonds it will execute and furnish definitive Series 2001 Bonds without delay and thereupon the temporary Series 2001 Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Trustee and the Trustee shall deliver in exchange for such temporary Series 2001 Bonds an equal aggregate principal amount of definitive Series 2001 Bonds of authorized denominations. Until so exchanged, the temporary Series 2001 Bonds shall be entitled to the same benefits under the Trust Agreement as definitive Series 2001 Bonds delivered hereunder.

SECTION 35.10 Validity of Series 2001 Bonds. The validity of the issuance of the Series 2001 Bonds shall not be dependent on or affected in any way by the proceedings taken by the Authority for the financing of the Financed Facilities or by any contracts made by the Authority or its agents in connection therewith, and shall not be dependent upon the completion of the Project or upon the performance by any person, firm or corporation of his or its obligation with respect thereto. The recital contained in the Series 2001 Bonds that the same are issued pursuant to the Act and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all Series 2001 Bonds shall be incontestable from and after their issuance. The Series 2001 Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Series 2001 Bonds (or any temporary Series 2001 Bonds exchangeable therefor) shall have been delivered to the purchasers thereof and the proceeds of sale thereof received.

SECTION 35.11 Special Covenants as to Book-Entry Only System for Series 2001 Bonds.

(a) Except as otherwise provided in subsections (b) and (c) of this Section 35.11, all of the Series 2001 Bonds initially issued shall be registered in the name of Cede & Co., as nominee for DTC, or such other nominee as DTC shall request pursuant to the Representation

Letter. Payment of the interest on any Series 2001 Bond registered in the name of Cede & Co. shall be made on each Interest Payment Date for such Series 2001 Bonds in accordance with the Representation Letter.

(b) The Series 2001 Bonds initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of such Series 2001 Bonds, representing the aggregate principal amount of the Series 2001 Bonds of such maturity. Upon initial issuance, the ownership of all such Series 2001 Bonds shall be registered in the registration records maintained by the Trustee pursuant to Section 35.07 in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. Except as otherwise expressly provided herein, the Trustee, the Authority and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2001 Bonds registered in its name for the purposes of payment of the principal or redemption price of and interest on such Series 2001 Bonds, selecting the Series 2001 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders hereunder, registering the transfer of Series 2001 Bonds, obtaining any consent or other action to be taken by Bondholders of the Series 2001 Bonds and for all other purposes whatsoever; and neither the Trustee nor the Authority or any paying agent shall be affected by any notice to the contrary. Neither the Trustee nor the Authority or any paying agent shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 35.11, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Series 2001 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Bondholder, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Series 2001 Bonds, (iii) any notice which is permitted or required to be given to Bondholders of Series 2001 Bonds hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2001 Bonds, or (v) any consent given or other action taken by DTC as Bondholder of the Series 2001 Bonds. The Trustee shall pay all principal of and premium, if any, and interest on the Series 2001 Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the Authority's obligations with respect to the payment of the principal of and premium, if any, and interest on the Series 2001 Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Series 2001 Bonds will be transferable to such new nominee in accordance with subsection (f) of this Section 35.11.

(c) In the event that the Authority determines that the Series 2001 Bonds should not be maintained in book-entry form, the Trustee shall, upon the written instruction of the Authority, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, the Series 2001 Bonds will be transferable in accordance with subsection (f) of this Section 35.11. DTC may determine to discontinue providing its services with respect to the Series 2001 Bonds or a portion thereof at any time by giving written notice of such discontinuance to the Authority or the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series 2001 Bonds will be transferable in accordance with subsection (f) of this Section 35.11. If at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor securities depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, then this Section 35.11 shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the Series 2001 Bonds as provided below. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Series 2001 Bonds then Outstanding. In such event, the Series 2001 Bonds will be transferable to such securities depository in accordance with subsection (f) of this Section 35.11, and thereafter, all references in the Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of the Trust Agreement to the contrary, so long as all Series 2001 Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such Series 2001 Bond and all notices with respect to each such Series 2001 Bond shall be made and given, respectively, to DTC as provided in accordance with the Representation Letter.

(e) The Trustee is hereby authorized and requested to execute and deliver the Representation Letter and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under the Trust Agreement.

(f) In the event that any transfer or exchange of Series 2001 Bonds is authorized under subsection (b) or (c) of this Section 35.11, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Series 2001 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 35.05 and 35.06. In the event Series 2001 Bond certificates are issued to Bondholders other than Cede & Co., its successor as nominee for DTC as holder of all the Series 2001 Bonds, another securities depository as holder of all the Series 2001 Bonds, or the nominee of such successor securities depository, the provisions of Sections 35.05 and 35.06 shall also apply to, among other things, the registration, exchange and transfer of the Series 2001 Bonds and the method of payment of principal of, premium, if any, and interest on the Series 2001 Bonds.

SECTION 35.12 Continuing Disclosure. Pursuant to Section 14.09 of the Facility Lease, the County has undertaken all responsibility for compliance with continuing disclosure requirements, and the Authority shall have no liability to the Holders of the Bonds or any other person with respect to such disclosure matters. The Trustee hereby covenants and agrees that they will comply with and carry out all of the provisions of the Series 2001 Continuing Disclosure Agreement. Notwithstanding any other provision of this Trust Agreement, failure of the County or the Trustee to comply with the Series 2001 Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Series 2001 Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds and provided satisfactory indemnification is provided to the Trustee, shall) or any Bondholder or Beneficial Owner 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 the Series 2001 Continuing Disclosure Agreement or to cause the Trustee to comply with its obligations under this Section 35.12. For purposes of this Section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries)."

ARTICLE XXXVI

PROCEEDS OF SERIES 2001 BONDS

SECTION 36.01 Procedure for the Issuance of Series 2001 Bonds. At any time after the sale of the Series 2001 Bonds in accordance with the Act, the Authority shall execute the Series 2001 Bonds for issuance hereunder and shall deliver them to the Trustee, and thereupon the Series 2001 Bonds shall be authenticated and delivered by the Trustee to the purchaser thereof upon the Written Request of the Authority and upon receipt of payment therefor from the purchaser thereof. Upon receipt of payment for the Series 2001 Bonds from the purchaser thereof, the Trustee shall confirm receipt of $__________ by the Series 2001 Bond Insurer in payment of the premium for the Bond Insurance Policy and shall set aside and deposit the remaining proceeds received from such sale in the following respective accounts or funds or with the following respective entities, in the following order of priority:

(i) The Trustee shall deposit in the Interest Account established pursuant to Section 5.03 the accrued interest received by the Trustee upon the delivery of the Series 2001 Bonds and $____________ in Capital interest on the Series 2001 Bonds. The Capitalized Interest shall be applied by the Trustee to the payment of interest on the Series 2001 Bonds on the following dates in the following amounts:

Date	Amount

(ii) The Trustee shall deposit $_________ in the 2001 Costs of Issuance Fund, which fund is hereby created and which fund the Authority hereby agrees to maintain with the Trustee until January 1, 2002. All money in the 2001 Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the Series 2001 Bonds upon receipt of a Written Request of the County filed with the Trustee, each of which shall be sequentially numbered and shall state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On January 1, 2002, or upon the earlier Written Request of the County, any remaining balance in the 2001 Costs of Issuance Fund shall be transferred to the 2001 Acquisition and Construction Account.

(iii) The Trustee shall deposit $_________ in the Reserve Fund created pursuant to Section 5.03, which amount when combined with the Reserve Facilities held by the Trustee equals the Reserve Fund Requirement for the Bonds.

(iv) The Trustee shall deposit the remainder of such proceeds in the amount of $___________, in a separate account within the Acquisition and Construction Fund designated the "2001 Acquisition and Construction Account," which is hereby created.

SECTION 36.02 Use of Moneys in the 2001 Acquisition and Construction Account. All moneys in the 2001 Acquisition and Construction Account shall be held by the Trustee in trust on behalf of the County and the Bondowners and applied by the Trustee to the payment of costs of the Financed Facilities and of expenses incident thereto (or for making reimbursements to the Authority or the County or any other person, firm or corporation for such costs therefore or thereafter paid by him or it), or, if prior to completion of the Financed Facilities, there are excess moneys in the 2001 Acquisition and Construction Account, to the payment of interest on the Bonds.

Before any payment is made from the 2001 Acquisition and Construction Account by the Trustee, the Authority shall cause a Written Request of the County to be filed with the Trustee in the form specified in Section 3.02 for payments from the Acquisition and Construction Fund.

Upon the occurrence of an event of default under the Trust Agreement the Trustee may, with the prior written consent of the Bond Insurer, or upon the Bond Insurer's direction shall, apply moneys on deposit in the 2001 Acquisition and Construction Account to payment of the principal of and interest on the Bonds.

SECTION 36.03 Creation of Sinking Accounts for the 2001 Series A Term Bonds. (a) 2001 Series A Term Bonds. The Trustee shall establish and maintain within the Principal Account separate Sinking Accounts for the 2001 Series A Term Bonds maturing on July 15, _____ and July 15, _____. Subject to the terms and conditions set forth in this Section and Section 37.01(d), the Term Bonds maturing on July 15, ____ and July 15, ____ shall be redeemed (or paid at maturity, as the case may be) by application of mandatory sinking account payments in the amounts and upon the dates as follows:

20 2001 Series A Term Bond Sinking Account

Mandatory Sinking Account Payment Date (July 15)	Mandatory Sinking Account Payments

20 2001 Series A Term Bond Sinking Account

Mandatory Sinking Account Payment Date (July 15)	Mandatory Sinking Account Payments

*maturity

(b) 2001 Series B Term Bonds. The Trustee shall establish and maintain within the Principal Account separate Sinking Accounts for the 2001 Series B Term Bonds maturing on July 15, _____ and July 15, _____. Subject to the terms and conditions set forth in this Section and Section 37.01(d), the Term Bonds maturing on July 15, ____ and July 15, ____ shall be redeemed (or paid at maturity, as the case may be) by application of mandatory sinking account payments in the amounts and upon the dates as follows:

20 2001 Series B Term Bond Sinking Account

Mandatory Sinking Account Payment Date (July 15)	Mandatory Sinking Account Payments

20 2001 Series B Term Bond Sinking Account

Mandatory Sinking Account Payment Date (July 15)	Mandatory Sinking Account Payments

*maturity

SECTION 36.04 Tax Covenants; Series 2001 Rebate Fund.

(a) The Trustee shall establish and maintain a fund separate from any other fund or account established and maintained hereunder designated as the Series 2001 Rebate Fund. There shall be deposited in the Series 2001 Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Series 2001 Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America. Notwithstanding the provisions of Sections 5.01, 5.02, 5.05, 9.01 and 10.01 relating to the pledge of Revenues, the allocation of money in the Revenue Fund, the investments of money in any fund or account, the application of funds upon acceleration and the defeasance of Outstanding Bonds, all amounts required to be deposited into or on deposit in the Series 2001 Rebate Fund shall be governed exclusively by this Section 36.04 and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate.

(b) Any funds remaining in the Series 2001 Rebate Fund after redemption and payment with respect to all of the Series 2001 Bonds and all other amounts due hereunder or under the Facility Lease, or provision made therefor satisfactory to the Trustee and the Series 2001 Bond Insurer, including accrued interest and payment of any applicable fees and expenses to the Trustee and satisfaction of the Rebate Requirement (as defined in the Tax Certificate), shall be withdrawn by the Trustee and remitted to or upon the direction of the Authority.

(c) The Authority shall not use or permit the use of any proceeds of the Series 2001 Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any of the Series 2001 Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code, "private activity bond" within the meaning of Section 141(a) of the Code, or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder and under Section 103(c) of the Internal Revenue Code of 1954, as amended. The Authority shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority shall comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Series 2001 Bonds. In the event that at any time the Authority is of the opinion that for purposes of this Section 36.04(c) it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(d) The Authority and the Trustee (as directed by the Authority) specifically covenant to comply with the provisions and procedures of the Tax Certificate; provided that the Trustee shall not be bound by this covenant if an Event of Default has occurred and is continuing.

(e) The Authority shall not use or permit the use of any proceeds of the Series 2001 Bonds or any funds of the Authority, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Series 2001 Bonds to be treated as an obligation not described in Section 103(a) of the Code.

(f) Notwithstanding any provisions of this Section 36.04, if the Authority shall provide to the Trustee an Opinion of Counsel that any specified action required under this Section 36.04 or the Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2001 Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this Section, and, notwithstanding Article IX hereof, the covenants hereunder shall be deemed to be modified to that extent.

ARTICLE XXXVII

REDEMPTION OF SERIES 2001 BONDS

SECTION 37.01 Terms of Redemption of Series 2001 Bonds.

(a) Extraordinary Redemption. The Series 2001 Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as hereinafter provided, as a whole or in part by lot within each stated maturity in integral multiples of Authorized Denominations, from prepayments made by the County pursuant to Section 7.02(a) of the Facility Lease, at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the Redemption Date. Whenever less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee shall select the Bonds to be redeemed in part from the Outstanding Bonds so that the aggregate annual principal amount of and interest on Bonds which shall be payable after such Redemption Date shall be as nearly proportional as practicable to the aggregate annual principal amount of and interest on Bonds Outstanding prior to such Redemption Date.

(b) Special Redemption. The 2001 Series B Bonds are subject to redemption by the Authority prior to their respective stated maturities, upon notice as hereinafter provided, as a whole or in part by lot on any date (in such maturities as are designated in writing by the Authority) in integral multiples of Authorized Denominations, from prepayments made by the County from funds received from the State with respect to the Financed Facilities, at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the Redemption Date.

(c) Optional Redemption. The Series 2001 Bonds maturing on or prior to July 15, [2009] are not subject to optional redemption. The Series 2001 Bonds maturing on or after July 15, [2010] are subject to redemption prior to their respective stated maturities at the written direction of the Authority, from any moneys deposited by the Authority or the County, as a whole or in part on any date (in such maturities as are designated in writing by the Authority to the Trustee) on or after July 15, [2009], at the following redemption prices (expressed as percentages of the principal amount of Series 2001 Bonds called for redemption), together with accrued interest to the date fixed for redemption:

Redemption Period (dates inclusive)	Redemption Price
July 15, 2009 through July 14, 2010	
July 15, 2010 through July 14, 2011	
July 15, 2011 and thereafter	

(d) Mandatory Sinking Fund Redemption. The Series 2001 Bonds maturing on July 15, _____ and July 15, _____, respectively, upon notice as hereinafter provided, shall also be subject to mandatory sinking fund redemption prior to maturity, in part on July 15 of each year on and after July 15, _____ and July 15, _____, respectively, by lot, from and in the amount of the mandatory sinking account payments set forth in Section 36.03 at a redemption price equal to the sum of the principal amount thereof plus accrued interest thereon to the redemption date, without premium.

(e) Selection of Bonds for Redemption. If less than all Outstanding Series 2001 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Series 2001 Bonds of such maturity date to be redeemed in any manner that it deems appropriate and fair and shall promptly notify the Authority in writing of the numbers of the Series 2001 Bonds so selected for redemption. For purposes of such selection, Series 2001 Bonds shall be deemed to be composed of $5,000 multiples and any such multiple may be separately redeemed. In the event 2001 Term Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption.

(f) Notice of Redemption; Cancellation. Notice of redemption shall be mailed by first-class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective Bondholders of the Series 2001 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. Each notice of redemption shall state the date of such notice, the redemption price, if any (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2001 Bonds of such maturity, to be redeemed and, in the case of Series 2001 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2001 Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2001 Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such redemption.

In the event of redemption of Series 2001 Bonds (other than sinking fund redemptions), the Trustee shall mail a notice of optional or extraordinary redemption, other than any notice that refers to Series 2001 Bonds that are to be redeemed from proceeds of a refunding bond issue or from amounts to be provided by the Series 2001 Bond Insurer in its discretion, only if sufficient funds have been deposited with the Trustee to pay the applicable redemption price of the Series 2001 Bonds to be redeemed.

The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

(g) Effect of Redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2001 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Series 2001 Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Series 2001 Bonds shall cease to accrue, and the Bondholders of such Series 2001 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Series 2001 Bonds redeemed pursuant to the provisions of this Article shall be cancelled by the Trustee and shall be destroyed with a certificate of destruction furnished to the Authority upon its request and shall not be reissued.

ARTICLE XXXVIII

MUNICIPAL BOND INSURANCE

SECTION 38.01 Concerning the Series 2001 Bond Insurer. Notwithstanding any other provision hereof, so long as the Bond Insurance Policy shall be in full force and effect, the Authority and the Trustee hereby agree to comply with the following provisions:

(a) The Series 2001 Bond Insurer shall be deemed to be the sole Owner of the Series 2001 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Series 2001 Bonds are entitled to take pursuant to Article VI, Article VII and Article VIII hereof. The Series 2001 Bond Insurer shall have the exclusive right to initiate or direct proceedings upon an Event of Default and shall be entitled to request the Trustee to intervene in judicial proceedings that affect the Series 2001 Bonds or the security therefor; provided that the Trustee shall have the right in its sole discretion to commence an action to enforce the payment of its fees and expenses hereunder. Bondholder's direction or institution of remedies upon an Event of Default shall be subject to the prior written consent of the Series 2001 Bond Insurer.

(b) In the event the maturity of the Series 2001 Bonds is accelerated, the Series 2001 Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Series 2001 Bond

Insurer's obligations under the Insurance Policy with respect to such Series 2001 Bonds shall be fully discharged.

(c) Copies of any modification or amendment to the Trust Agreement, the Site Lease or the Facility Lease, shall be sent by the Authority to Standard & Poor's Corporation and Moody's Investors Service on or prior to the effective date thereof. Inconsistent provisions shall be conformed to this provision hereby.

(d) The Series 2001 Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2001 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2001 Bond Insurance Policy.

(e) Rights of the Series 2001 Bond Insurer to direct or consent to Authority, Trustee or Bondholder actions under the Trust Agreement shall be suspended during any period in which the Series 2001 Bond Insurer is in default in its payment obligations under the 2001 Bond Insurance Policy (except to the extent of amounts previously paid by the Series 2001 Bond Insurer) and shall be of no force or effect in the event the 2001 Bond Insurance Policy is no longer in effect or the Series 2001 Bond Insurer asserts that the 2001 Bond Insurance Policy is not in effect or the Series 2001 Bond Insurer shall have provided written notice that it waives such rights.

(f) The Series 2001 Bond Insurer shall have the right to advance any payment required to be made by the County or the Authority in order to prevent an Event of Default under the Trust Agreement and the Trustee shall be required to accept such advance. The Authority shall be required to reimburse the Series 2001 Bond Insurer for any such advance.

(g) The rights granted under the Trust Agreement, the Facility Lease and the Site Lease to the Series 2001 Bond Insurer to request, consent to or direct any action are rights granted to the Series 2001 Bond Insurer in consideration of its issuance of the 2001 Bond Insurance Policy. Any exercise by the Series 2001 Bond Insurer of such rights is merely an exercise of the Series 2001 Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Series 2001 Bondowners, nor does such action evidence any position of the Series 2001 Bond Insurer, positive or negative, as to whether Series 2001 Bondowners' consent is required in addition to consent of the Series 2001 Bond Insurer.

(h) Amounts paid by the Series 2001 Bond Insurer under the 2001 Bond Insurance Policy shall not be deemed paid for purposes of the Trust Agreement and the Series 2001 Bonds relating to such amounts shall remain Outstanding and continue to be due and owing until paid in accordance with the Trust Agreement. The Trust Agreement shall not be discharged unless all amounts due or to become due to the Series 2001 Bond Insurer have been paid in full.

(i) The Series 2001 Bond Insurer shall be provided by the Authority or the Trustee (with respect to items (i) to (iv) only) with the following information:

(i) Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Fund Requirement and (ii) withdrawals in connection with a refunding of Series 2001 Bonds;

(ii) Notice of default known to the Trustee within five Business Days after knowledge thereof;

(iii) Prior notice of the advance refunding or redemption of any of the Series 2001 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(iv) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(v) Notice of the commencement of any proceeding by or against the Authority or the County commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar (an "Insolvency Proceeding");

(vi) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series A Bonds.

(vii) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Trust Agreement or the Facility Lease;

(viii) All reports, notices and correspondence to be delivered under the terms of the Trust Agreement; and

(ix) Such additional information as the Series 2001 Bond Insurer from time to time may reasonably request.

(j) The Series 2001 Bond Insurer shall have the right to give notice of an Event of Default.

SECTION 38.02 Payments Under the Bond Insurance Policy. Notwithstanding any other provision hereof, so long as the Bond Insurance Policy shall be in full force and effect, the Authority and the Trustee hereby agree to comply with the following provisions:

(a) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date or the date to which Bond maturity has been accelerated ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal of and interest on the Series 2001 Bonds due on such Payment Date, the Trustee shall give notice to the Series 2001 Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2001 Bonds due on such Payment Date, the Trustee shall make a claim under the 2001 Bond Insurance Policy and give notice to the Series 2001 Bond Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2001 Bonds and the amount required to pay principal of the Series 2001 Bonds, confirmed in writing to the Series 2001 Bond Insurer and the Series 2001 Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the 2001 Bond Insurance Policy.

(b) The Trustee shall establish a separate special purpose trust account for the benefit of the Series 2001 Bondowners referred to herein as the "2001 Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall deposit any amount paid under the 2001 Bond Insurance Policy in the 2001 Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee in the same manner as principal and interest payments are to be made with respect to the Series 2001 Bonds under the sections hereof regarding payment of Series 2001 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. However, the amount of any payment of principal of or interest on the Series 2001 Bonds to be paid from the 2001 Policy Payments Account shall be noted as provided in (d) below. Funds held in the 2001 Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or any other entity.

In the event the claim is made with respect to the Series 2001 Bonds subject to mandatory sinking fund redemption, upon receipt of the moneys due, affected Owners shall surrender their Bonds to the Trustee who shall authenticate and deliver to such Owner a new Bond or Bonds in an aggregate principal amount equal to the unpaid portion of the Bond surrendered, and upon maturity or other advancement of maturity and receipt of the moneys due, Owners shall surrender their Bonds for cancellation. The Trustee shall designate any portion of payment of principal of Series 2001 Bonds paid by the Series 2001 Bond Insurer, whether by virtue of a mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2001 Bonds registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Series 2001 Bond Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Authority on any Bond or the subrogation rights of the Series 2001 Bond Insurer.

(c) Any funds remaining in the 2001 Policy Payments Account following a Payment Date shall promptly be remitted to the Series 2001 Bond Insurer except for funds held for the payment of Series 2001 Bonds pursuant to Section 10.02 hereof..

(d) The Trustee shall keep a complete and accurate record of all funds deposited by the Series 2001 Bond Insurer into the 2001 Policy Payments Account and the allocation of such funds to payment of interest and principal in respect of any Series 2001 Bonds. The Series 2001 Bond Insurer shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Trustee.

(e) The Trustee shall promptly notify the Series 2001 Bond Insurer of either of the following as to which a Responsible Officer has written notice or actual knowledge: (i) the commencement of any proceeding by or against the Authority or the County commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") and (ii) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer (a "Preference Claim") of any payment of principal or interest with respect to the Series 2001 Bonds.

(f) The Authority, as a limited obligation payable from Additional Payments and other funds held under the Trust Agreement, hereby agrees to pay or reimburse the Series 2001 Bond Insurer any and all charges, fees, costs and expenses which the Series 2001 Bond Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) the administration, enforcement, defense or preservation of any rights or security in respect of any of the Trust Agreement, the Site Lease or the Facility Lease, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Authority or the County or any other lessee or any affiliate thereof) relating to the Trust Agreement, the Site Lease or the Facility Lease, any party to any of such documents or the transaction contemplated by such documents (the "Transaction"), other than amounts resulting from the failure of the Series 2001 Bond Insurer to honor its obligations under the Insurance Policy, (ii) the pursuit of any remedies under any of the Trust Agreement, the Site Lease or the Facility Lease or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to any of such documents whether or not executed or completed; or (iv) the violation by the Authority or the County of any law, rule or regulation, or any judgment, order or decree applicable to it; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Series 2001 Bond Insurer spent in connection with the actions described in clauses (ii) - (iv) above; and the Series 2001 Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of any such documents.

(g) Payments required to be made to the Series 2001 Bond Insurer pursuant to Sections 38.01(d), 38.02(f) and 39.01 shall be payable solely from Additional Payments, Revenues and funds held under the Trust Agreement. The payment obligations of the Authority set forth in the immediately preceding sentence shall survive the discharge or termination of the Trust Agreement, the Site Lease or the Facility Lease.

(h) The Series 2001 Bond Insurer shall be entitled to pay principal or interest with respect to the Series 2001 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Bond Insurance Policy) and any amounts due with respect to the Series 2001 Bonds as a result of acceleration of the maturity thereof in accordance with the Trust Agreement, whether or not the Series 2001 Bond Insurer has received a Notice of Nonpayment (as defined in the Bond Insurance Policy) or a claim upon the Bond Insurance Policy.

(i) Upon the occurrence and continuance of an Event of Default which would require the Series 2001 Bond Insurer to make payments under the 2001 Bond Insurance Policy, the Series 2001 Bond Insurer and its designated agent shall be provided with access to inspect and copy the registration books of the Authority.

(j) The interest that the Authority must pay on defaulted interest on or principal of the Series 2001 Bonds shall not accrue to any 2001 Bondholder except the Series 2001 Bond Insurer so long as the Series 2001 Bond Insurer is not in default in its payment obligations under the 2001 Bond Insurance Policy.

(k) In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

ARTICLE XXXIX

MISCELLANEOUS PROVISIONS

SECTION 39.01 Series 2001 Bond Insurer. The Series 2001 Bond Insurer shall have the benefit of all provisions relating to the 1994 Series A Bond Insurer included in the Facility Lease, the Site Lease and the Trust Agreement and any references to the "Bond Insurer" shall include the Series 2001 Bond Insurer and the Series 2001 Bond Insurer is hereby included as a third party beneficiary to the Trust Agreement.

SECTION 39.02 Validity of Supplement. The County, the Authority and the Trustee hereby determine that the amendments set forth herein do not adversely affect the interest of the Owners, shall become binding without the written consents of any Owners, and are in compliance with the provisions of Section 9.01 of the Trust Agreement. The Trustee is making such determination in reliance upon an Opinion of Counsel and the determination of the County and the Authority and the consent of the Bond Insurer.

SECTION 39.03 Terms of Series 2001 Bonds Subject to the Trust Agreement. Except as in this Fifth Supplemental Trust Agreement expressly provided, every term and condition contained in the Trust Agreement shall apply to this Fifth Supplemental Trust Agreement and to the Series 2001 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Fifth Supplemental Trust Agreement.

This Fifth Supplemental Trust Agreement and all the terms and provisions herein contained shall form part of the Trust Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Trust Agreement. The Trust Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

SECTION 39.04 Assignment Acknowledged. Pursuant to the Trust Agreement, the Base Rental Payments have been assigned to the Trustee and such assignment extends to and includes the Base Rental Payments increased pursuant to the Fourth Amendment to Master Facility Lease. The assignment of the Base Rental Payments increased pursuant to the Fourth Amendment to Master Facility Lease to the Trustee is hereby approved, consented to, acknowledged and confirmed.

SECTION 39.05 Effective Date of Fifth Supplemental Trust Agreement. This Fifth Supplemental Trust Agreement shall take effect upon its execution and delivery.

SECTION 39.06 Execution in Counterparts. This Fifth Supplemental Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Third Supplemental Trust Agreement by their officers thereunto duly authorized as of the day and year first written above.

SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY

By:____________________________________
President

U.S. BANK TRUST NATIONAL ASSOCIATION, as Trustee

By____________________________________
Authorized Officer

The undersigned, as Bond Insurer on all outstanding Bonds, hereby consents to the execution and delivery of this Third Supplemental Trust Agreement and to the issuance of the Series 2001 Bonds for the purposes set forth therein. The Bond Insurer makes no representations as to the adequacy or sufficiency of this consent for the purposes of the parties to said Third Supplemental Trust Agreement. Execution of this consent by the Bond Insurer shall not be construed or deemed to be made for the benefit of any other person or entity, including without limitation, the Owners of the Bonds, nor does such consent evidence any position, affirmative or negative, as to whether action by the Owners of the Bonds is required in addition to the execution of this consent by the Bond Insurer.

FINANCIAL SECURITY ASSURANCE INC.

By____________________________________
Authorized Officer

EXHIBIT A

No. R-____ $__________

[FORM OF SERIES 2001 BOND]

SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE BOND
(CAPITAL PROJECTS),
2001 SERIES A/B

NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY NOR THE COUNTY OF SAN MATEO IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE BONDS AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE REVENUES HEREINAFTER REFERRED TO IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE BONDS. NEITHER THE PAYMENT OF THE PRINCIPAL OF NOR INTEREST ON THE BONDS CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OF SAN MATEO OR ANY OF THE PUBLIC AGENCIES WHO ARE PARTIES TO THE AGREEMENT CREATING THE AUTHORITY.

Interest Rate	Maturity Date	Original Issue Date	CUSIP

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM:

The SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY, a joint exercise of powers authority, duly organized and validly existing under and pursuant to the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal sum specified above, together with interest on such principal sum from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of an interest payment date or during the period from the first day of the month containing an interest payment date to such interest payment date, in which event it shall bear interest from such interest payment date, or unless this Bond is authenticated prior to January 1, 2002, in which event it shall bear interest from the original issue date specified above) until the principal hereof shall have been paid at the interest rate per annum specified above, payable on January 15, 2002, and semi-annually thereafter on each January 15 and July 15. Interest due on or before the maturity or prior redemption of this Bond shall be payable by check mailed on the payment date for such interest by first-class mail to the registered owner hereof; provided that upon the written request of a Bondholder of $1,000,000 or more in aggregate principal amount of Bonds received, prior to the applicable record date, by U.S. Bank Trust National Association, as trustee or its successor under the hereinafter defined Trust Agreement (the "Trustee"), interest shall be paid by wire transfer in immediately available funds. The principal hereof is payable in lawful money of the United States of America upon presentation hereof at the Corporate Trust Office (as such term is defined in the Trust Agreement) of the Trustee.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its "Lease Revenue Bonds (Capital Projects), 2001 Refunding Series [A/B]" (the "2001 Series [A/B] Bonds") in aggregate principal amount of ________________ Million __________ Hundred __________ Thousand Dollars ($________,000), all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a trust agreement, dated as of April 15, 1994, as supplemented and amended, including by the Fifth Supplemental Trust Agreement, dated as of August 1, 2001 (collectively, the "Trust Agreement"), between the Authority and the Trustee (copies of which are on file at the corporate trust office of the Trustee in San Francisco, California). Pursuant to the Trust Agreement, the Authority issued $124,355,000 aggregate principal amount of its Lease Revenue Bonds (San Mateo County Health Center), 1994 Series A (the "1994 Series A Bonds"), $19,225,000 aggregate principal amount of its Lease Revenue Bonds (Capital Projects), 1995 Series A (the "1995 Series A Bonds"), $63,205,000 aggregate principal amount of its Lease Revenue Bonds (Capital Projects), 1997 Series A and $113,140,000 aggregate principal amount of its Lease Revenue Bonds (Capital Projects) 1999 Refunding Series A (the "1999 Series A Bonds) and $__________ aggregate principal amount of its Lease Revenue Bonds (Capital Projects), 2001 Series [A/B]. The 1994 Series A Bonds, the 1995 Series A Bonds, the 1997 Series A Bonds, the 1999 Series A Bonds, the 2001 Series A Bonds and the 2001 Series B Bonds and all additional bonds issued on a parity therewith (collectively, the "Bonds") are equally and ratably secured in accordance with the terms and conditions of the Trust Agreement.

The Series 2001 A/B Bonds are issued to provide funds to finance the cost of the acquisition and construction of certain Financed Facilities (as defined in the Trust Agreement). The Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain proceeds of the Bonds held in certain funds and accounts pursuant to the Trust Agreement and the Revenues (as defined in the Trust Agreement) derived from Base Rental Payments and other payments made by the County of San Mateo (the "County"), and all interest or other investment income thereon, pursuant to the Master Facility Lease, dated as of April 15, 1994, as amended, including by the Fourth Amendment to Master

Facility Lease dated as of August 1, 2001 (collectively, the "Facility Lease"), by and between the Authority and the County, and the Authority is not obligated to pay the interest or premium, if any, on and principal of the Bonds except from the Revenues. All Bonds are equally and ratably secured in accordance with the terms and conditions of the Trust Agreement by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest or premium, if any, on and principal of the Bonds as provided in the Trust Agreement. The full faith and credit of the Authority and the County are not pledged for the payment of the interest or premium, if any, on or principal of the Bonds. No tax shall ever be levied to pay the interest on or principal of the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge or lien upon any property of the Authority or any of its income or receipts except the Revenues, and neither the payment of the interest on nor principal of the Bonds is a debt, liability or general obligation of the Authority, the County or any member of the Authority for which such entity is obligated to levy or pledge any form of taxation. Additional bonds payable from the Revenues may be issued which will rank equally as to security with the Series 2001 Bonds, but only subject to the conditions and upon compliance with the procedures set forth in the Trust Agreement. Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the Authority and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

The Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as hereinafter provided, as a whole or in part by lot within each stated maturity in integral multiples of Authorized Denominations so that the aggregate annual principal amount of and interest on the Bonds which shall be payable after such redemption date shall be as nearly proportional as practicable to the aggregate annual principal amount of and interest on the Bonds Outstanding prior to such redemption date, from prepayments of Base Rental Payments made by the County from the proceeds received by the County due to a taking of the Project or portions thereof under the power of eminent domain and from the net proceeds of title insurance or insurance received for material damage or destruction to the Project or portions thereof received by the Authority from the County, all as provided in and under the circumstances and terms prescribed in the Facility Lease and the Trust Agreement, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

The 2001 Series [A/B] Bonds maturing on July 15, _____ and July 15, _____ are also subject to mandatory sinking fund redemption prior to maturity in part on July 15 of each year on and after July 15, _____ and July 15, _____, respectively, by lot, from and in the amount of the mandatory sinking account payments due and payable on such dates, at a prepayment price equal to the sum of the principal amount thereof plus accrued interest thereon to the redemption date, without premium.

The 2001 Series [A/B] Bonds maturing on or after July 15, 2009 are also subject to redemption prior to their respective stated maturities at the direction of the Authority, from any moneys deposited by the Authority or the County, as a whole or in part on any date (in such maturities as are designated by the Authority) on or after July 15, 2009, at the following redemption prices (expressed as percentages of the principal amount of 2001 Series [A/B] Bonds called for redemption), together with accrued interest to the date fixed for redemption:

Redemption Period (dates inclusive)	Redemption Price
July 15, 2009 through July 14, 2010	
July 15, 2010 through July 14, 2011	
July 15, 2011 and thereafter	

Notice of redemption of this Bond shall be given by first-class mail not less than thirty (30) days nor more than sixty (60) days before the redemption date to the registered owner of any Bond selected for redemption, subject to and in accordance with provisions of the Trust Agreement with respect thereto. If notice of redemption has been duly given as aforesaid and money for the payment of the above-described redemption price is held by the Trustee, then this Bond shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated, interest on this Bond shall cease to accrue and the registered owner of this Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.

If an Event of Default (as defined in the Trust Agreement) shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement. The Trust Agreement provides that in certain events such declaration and its consequences may be rescinded by the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding or by the Trustee.

This Bond is transferable only on a register to be kept for that purpose by the Trustee at the above-mentioned corporate trust office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount in authorized denominations will be issued to the transferee in exchange therefor. The Authority and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been executed and dated by the Trustee.

It is hereby certified and recited that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Act, and by the Constitution and laws of the State of California, that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the San Mateo County Joint Powers Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of the President of the Authority and countersigned by the manual or facsimile signature of the Secretary of said Authority, and has caused this Bond to be dated as of the original issue date specified above.

SAN MATEO COUNTY JOINT POWERS
FINANCING AUTHORITY

By____________________________________
President

Countersigned:

____
Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION
TO APPEAR ON SERIES 2001 BONDS]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been registered and authenticated on:

U.S. BANK TRUST NATIONAL
ASSOCIATION, as Trustee

____
DATE

By______________________________
Authorized Signatory

[FORM OF ASSIGNMENT TO
APPEAR ON SERIES 2001 [A/B] BONDS]

For value received the undersigned hereby sells, assigns and transfers unto ______ _______________ (Taxpayer Identification Number: _____________) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _________________________ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

____

Dated: ___________

PLEASE INSERT SOCIAL SECURITY NUMBER, TAXPAYER IDENTIFICATION NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE ______________________________

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:____

Notice: Signature must be guaranteed by an eligible guarantor institution.

STATEMENT OF INSURANCE

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to U.S. Bank Trust National Association, San Francisco, California or its successor, as trustee for the Bonds (the "Trustee"). Said Policy is on file and available for inspection at the Corporate Trust Office of the Trustee and a copy thereof may be obtained from Financial Security or the Trustee.

CONTINUING DISCLOSURE AGREEMENT

by and between

COUNTY OF SAN MATEO

and

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee and Dissemination Agent

Dated as of August 1, 2001

Relating to

San Mateo County Joint Powers Financing Authority
Lease Revenue Bonds (Capital Projects),
2001 Series A and 2001 Series B

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of August 1, 2001, is executed and delivered by the COUNTY OF SAN MATEO (the "County") and U.S. BANK TRUST NATIONAL ASSOCIATION, as Trustee (the "Trustee") and as Dissemination Agent, in connection with the issuance of $__________ San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects), 2001 Refunding Series A and 2001 Series B (the "Bonds"). The Bonds are being issued pursuant to a Trust Agreement, dated as of April 15, 1994, between the San Mateo County Joint Powers Financing Authority (the "Issuer") and the Trustee, as successor trustee to Bank of America National Trust and Savings Association, as supplemented, including as supplemented by a Fifth Supplemental Trust Agreement, dated as of August 1, 2001, between the Issuer and the Trustee (as supplemented, the "Trust Agreement"). The County, the Dissemination Agent and the Trustee covenant and agree as follows:

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

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

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

"Beneficial Owner" shall mean any person 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).

"Disclosure Representative" shall mean the County Manager of the County or his or her designee, or such other officer or employee as the County shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean U.S. Bank Trust National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. (The National Repositories currently approved by the Securities and Exchange Commission (can be found at http://www.sec.gov/info/municipal/nrmsir.html).

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

"Repository" shall mean each National Repository and the State Repository, if any.

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

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than March 30 of each calendar year, commencing with the report for the 2000-2001 fiscal year (ending June 30, 2001) to be filed on or before March 30, 2002, provide to each Repository an Annual Report which is consistent with the requirements of Section 4(a) of this Disclosure Agreement.

An Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from the balance of its respective Annual Report and later than the date required above for the filing of such Annual Report if they are not available by that date. If the fiscal year of the County changes, the County shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsections (a) above for providing the Annual Report to the Repositories, the County shall provide its Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of such Annual Report, the Trustee shall contact the County and the Dissemination Agent (if other than the Trustee) to determine if the County has provided its Annual Report. The Dissemination Agent and the Trustee may conclusively rely upon such receipt as a certification by the County that such Annual Report constitutes the Annual Report required to be filed with it by the County hereunder. The Trustee and the Dissemination Agent shall have no duty or obligation to review such Annual Report.

(c) If the Trustee is unable to verify that the applicable Annual Report has been provided to Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository and the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A hereto.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) upon verification of filing, file a report with the County and the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date(s) they were provided and listing all the Repositories to which they were provided.

(e) A copy of any Annual Report filed hereunder or any notice of a Listed Event required by Section 5 hereof shall be delivered to the 1999 Bond Insurer by the Dissemination Agent.

SECTION 4. Content of Annual Reports.

(a) The Annual Report shall contain or include by reference the following:

1. The audited financial statements of the County for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The status of Project construction relative to the time and cost estimates contained under the caption "THE LEASED PROPERTY" in the Official Statement dated ________________, relating to the Bonds (the "Official Statement").

3. Tabular or numerical information of the types contained in the Official Statement under the following captions and/or sub-captions in APPENDIX A:

a. Table 12, County of San Mateo Adopted Budget For General Fund;

b. Table 13, County of San Mateo Total Assessed Valuation of Property Subject to Ad Valorem Taxation;

c. Table 14, Summary of Ad Valorem Property Taxation;

d. Table 15, County of San Mateo Ten Largest Taxpayers;

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

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of Bondholders;

4. optional, contingent or unscheduled bond calls;

5. defeasances;

6. rating changes;

7. adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

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

11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Trustee shall, within one (1) Business Day or as soon as reasonably practicable thereafter of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the County promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Trustee whether or not to report such event to the Bondholders. In the absence of such direction, the Trustee shall not report such event unless otherwise required to be reported by the Trustee to the Holders under the Trust Agreement. The Trustee may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Trust Agreement. The Trustee shall have no responsibility to determine the materiality of any of the Listed Events.

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the County has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the County determines that the Listed Event would not be material under applicable federal securities laws, the County shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(f) If the Dissemination Agent has been instructed by the County to report the occurrence of a Listed Event, the Dissemination Agent shall file a written notice of such occurrence with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The obligations of the County under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. <u>Dissemination Agent</u>. The County may, from time to time appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the County and the Trustee. The Dissemination Agent shall have no duty to prepare any report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the County in a timely manner and in a form suitable for filing. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Agreement. The County hereby appoints U.S. Bank Trust National Association, as the initial Dissemination Agent.

SECTION 8. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Agreement, the County, the Dissemination Agent and the Trustee may amend this Disclosure Agreement (and the Trustee and Dissemination Agent shall agree to any amendment so requested by the County; provided, neither the Trustee or the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

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

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

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the County or the Trustee to comply with any provision of the Disclosure Agreement, the Trustee, pursuant to the Trust Agreement, may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds and provided satisfactory indemnification is provided to the Trustee, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County or the Trustee, as the case may be, to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under the Disclosure Agreement in the event of any failure of the County or the Trustee to comply with the Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement, and the Trustee and Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the County for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

If to the County:	County of San Mateo County Government Center 400 County Center, 1st Floor Redwood City, California 94063 Attention: Assistant County Manager
If to the Trustee/ Dissemination Agent:	U.S. Bank Trust National Association One California Street, 4th Floor San Francisco, California 94111 Attention: Corporate Trust Department

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

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

SECTION 14. Governing Law. This Disclosure Agreement is made in the State of California and is to be construed under the Constitution and laws of such State.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

COUNTY OF SAN MATEO

By______________________________________
Assistant County Manager

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee and Dissemination Agent

By______________________________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person:	County of San Mateo (the "County")
Name of Bond Issue:	San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects) 2001 Series A and 2001 Series B
Date of Issuance:	___________, 2001

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by Section 35.12 of the Fifth Supplemental Trust Agreement, dated as of August 1, 2001, supplementing the Trust Agreement, dated as of April 15, 1994, between the Issuer and U.S. Bank Trust National Association, as Trustee. The County anticipates that its Annual Report will be filed by ___________.

Dated:_______________

U.S. BANK TRUST NATIONAL ASSOCIATION,
on behalf of the County

____

SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY
Lease Revenue Bonds
(Capital Projects),

$________	**$________**
2001 Series A	**2001 Series B**

PURCHASE CONTRACT

____________, 2001

Governing Board
San Mateo County Joint Powers Financing Authority

Board of Supervisors
County of San Mateo

Ladies and Gentlemen:

The undersigned, UBS PaineWebber Inc., as underwriter (the "Underwriter") hereby offers to enter into this Purchase Contract (the "Purchase Contract") with you, the San Mateo County Joint Powers Financing Authority (the "Authority") and the County of San Mateo (the "County"), for the purchase by the Underwriter of the San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects) 2001 Series A in the principal amount of $_______ (the "2001 Series A Bonds") and 2001 Series B in the principal amount of $_______ (the "2001 Series B Bonds" and collectively with the 2001 Series A Bonds, the "2001 Bonds"), which will be issued under the Fifth Supplemental Trust Agreement, dated as of August 1, 2001, supplementing the Trust Agreement, dated as of April 15, 1994, as supplemented by the First Supplemental Trust Agreement, dated as of April 1, 1995, the Second Supplemental Trust Agreement, dated as of December 1, 1997, the Third Supplemental Trust Agreement, dated as of January 1, 1999, and the Fourth Supplemental Trust Agreement, dated as of February 15, 1999 (collectively, the "Trust Agreement"), by and between the Authority and U.S. Bank Trust National Association, as trustee (the "Trustee"), pursuant to which the Authority has previously issued its $124,355,000 aggregate principal amount of Lease Revenue Bonds (San Mateo County Health Center) 1994 Series A (the "1994 Bonds"), its $19,225,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects) 1995 Series A (the "1995 Bonds"), its $63,205,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects) 1997 Series A (the "1997 Bonds") and its $113,140,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects) 1999 Refunding Series A (the "1999 Bonds"). Capitalized terms used herein not otherwise defined herein shall have the meanings set forth in the Official Statement (hereinafter defined).

This offer is made subject to acceptance by the Authority and the County prior to 11:59 p.m., California time, on the date hereof. If this offer is not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the Authority and the County at any time prior to acceptance. Upon acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the Authority, the County and the Underwriter.

1. Purchase, Sale and Delivery of the 2001 Bonds.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase and the Authority agrees to sell to the Underwriter all (but not less than all) of the 2001 Bonds, in the aggregate principal amount of $_______. The 2001 Bonds are payable solely from, and secured solely by, Revenues of the Authority, consisting primarily of certain rental payments ("Base Rental Payments") to be made by the County pursuant to, and as defined in, the Master Facility Lease, dated as of April 15, 1994, as amended by the First Amendment to Master Facility Lease, dated as of April 1, 1995, the Second Amendment to the Master Facility Lease, dated as of December 1, 1997, the Third Amendment to the Master Facility Lease, dated as of January 1, 1999, and the Fourth Amendment to the Master Facility Lease, dated as of August 1, 2001 (collectively, the "Master Facility Lease"), by and between the County and the Authority.

The 2001 Bonds shall be substantially in the form described in, and shall be issued and secured under and pursuant to, and shall be payable and subject to redemption as provided in, the Trust Agreement. The 2001 Bonds shall have the maturities and shall bear interest at the rates per annum shown on Exhibit A hereto. The 2001 Bonds constitute Additional Bonds pursuant to the Trust Agreement. The 2001 Bonds, the 1999 Bonds, the 1997 Bonds, the 1995 Bonds and the 1994 Bonds are collectively referred to herein as the "Bonds."

The 2001 Bonds are being issued to provide funds (i) to finance a portion of the costs of acquisition of a microwave and law enforcement mutual aid communications system and a sheriff's radio system, (ii) to finance the costs of acquisition and construction of a forensics laboratory and coroner's office for the County, (iii) to fund a deposit to the reserve fund for the Bonds, (iv) to fund capitalized interest on the 2001 Bonds, and (v) to pay costs of issuance of the 2001 Bonds.

The Base Rental Payments to be made by the County pursuant to the Master Facility Lease are payable by the County from its General Fund to the Authority for the right to use and possession by the County of (i) certain real property and facilities comprising the existing San Mateo County General Hospital and the improvements constructed thereon to be known collectively as the San Mateo County Health Center, (ii) the County's Flood Park, (iii) the real property and facilities comprising the County's Office Building Project, (iv) subject to the prior lease of such property in connection with the Authority's Lease Revenue Bonds Series of 1993 (North County Satellite Clinic Project), the real property and facilities comprising the County's North Satellite Clinic, (v) the real property and the improvements to be constructed thereto comprising the County Crime Lab Project , and (vi) prior to completion of construction of the County Crime Lab Project (which is expected to occur by November 2002) and the San Mateo County Health Center (which is expected to occur by November 2002), the real property and facilities comprising the County's 1963 Office Building, the County Hall of Justice and Records and the Maguire Correctional Facility (collectively, the "Leased Property"). The County has covenanted under the Master Facility Lease that it will take such action as may be necessary to include the Base Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. The 2001 Bonds are secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the outstanding 1999 Bonds, the 1997 Bonds, the 1995 Bonds and the 1994 Bonds as described in the Trust Agreement.

Pursuant to a Master Site Lease, dated as of April 15, 1994, as amended by the First Amendment to Master Site Lease, dated as of April 1, 1995, the Second Amendment to Master Site, dated as of December 1, 1997, the Third Amendment to Master Site Lease, dated as of January 1, 1999, and the Fourth Amendment to Master Site Lease, dated as of August 1, 2001 (collectively, the "Master Site Lease") between the County and the Authority, the County will lease to the Authority certain of the real property upon which the Leased Property is, or will be, located.

The County will undertake, pursuant to a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), by and between the County and the Trustee to be executed on the Closing Date (as defined herein), to provide certain annual financial information and notices of the occurrence of certain events, if material. A form of the Continuing Disclosure Agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

The Trust Agreement, the Master Facility Lease, the Master Site Lease and the Continuing Disclosure Agreement shall be collectively referred to herein as the "Financing Documents."

The scheduled payment of principal of and interest on the 2001 Bonds when due will be guaranteed under an insurance policy (the "Policy") to be issued concurrently with the delivery of the 2001 Bonds by Financial Security Assurance Inc. ("Financial Security").

The Authority and the County hereby ratify, confirm and approve the use and distribution by the Underwriter prior to the date hereof of the Preliminary Official Statement of the Authority dated August __, 2001 relating to the 2001 Bonds (which, together with the cover page and all appendices thereto, is referred to herein as the "Preliminary Official Statement"). The Authority and the County have deemed final the

Preliminary Official Statement as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12. The Authority and the County hereby acknowledge that the Preliminary Official Statement has been made available to investors on the Internet at Thomson Prospectus website. The Authority and the County hereby agree to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of the final official statement (including all information permitted to be omitted by Rule 15c2-12 and any amendments or supplements to such official statement as have been approved by the Authority, the County and the Underwriter) (the "Official Statement") in sufficient quantity to enable the Underwriter to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Authority and the County hereby approve of the use and distribution by the Underwriter of the Official Statement in connection with the offer and sale of the 2001 Bonds. At the time of or prior to the Closing Date (as hereinafter defined), the Underwriter shall file a copy of the Official Statement with the Municipal Securities Rulemaking Board and with a nationally recognized securities information repository.

(b) The Underwriter shall pay to the Authority as the purchase price for the 2001 Bonds $_________ (which reflects an underwriting discount of $_______ and a net original issue discount of $________), plus accrued interest to the Closing Date (as hereinafter defined).

(c) At 8:00 a.m., California time, on August __, 2001, or at such other time or on such other date as the Authority, the County and the Underwriter mutually agree upon (the "Closing Date"), the Authority will deliver or cause to be delivered to the Underwriter, the 2001 Bonds (delivered through the book-entry system of The Depository Trust Company ("DTC")), duly executed, and at the offices of Orrick, Herrington & Sutcliffe LLP, 400 Sansome Street, San Francisco, California 94111, or at such other place as the Authority, the County and the Underwriter shall have mutually agreed upon, the other documents mentioned herein. The Underwriter will accept such delivery and pay the purchase price(s) of the 2001 Bonds as set forth in subparagraph (b) above in immediately available funds (such delivery and payment being herein referred to as the "Closing") payable to the order of the Trustee in an amount equal to $________ (which includes accrued interest of $______) and payable to the order of Financial Security in an amount equal to $________ (being the amount of the Policy premium).

(d) The Underwriter agrees to make a bona fide public offering of the 2001 Bonds at the initial offering prices set forth in the Official Statement, which prices may be changed from time to time by the Underwriter after such offering.

2. <u>Representations, Warranties and Agreements of the Authority</u>. The Authority hereby represents, warrants and agrees with the Underwriter as follows:

(a) The Authority is and will be on the Closing Date a joint exercise of powers agency duly organized and validly existing pursuant to the Constitution and laws of the State of California with the full power and authority to execute and deliver the

Official Statement, and to enter into this Purchase Contract and the Financing Documents to be executed by it;

(b) By official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Financing Documents to be executed by it and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Contract;

(c) To the best knowledge of the Authority, the execution and delivery of the Financing Documents to be executed by it, this Purchase Contract and the Official Statement, and compliance with the provisions on the Authority's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Financing Documents;

(d) To the best knowledge of the Authority, the Authority is not in any material respect in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject; and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute a default or an event of default under any such instrument;

(e) To the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Authority in any material respect affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the 2001 Bonds or the payment of Base Rental Payments or in any way contesting or affecting the validity or enforceability of the 2001 Bonds, the Financing Documents to which the Authority is a party or this Purchase Contract or contesting the powers of the Authority or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Financing Documents to be executed by it or this Purchase Contract;

(f) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order to qualify the 2001 Bonds for offer and sale under the blue sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and will use its best efforts to continue such qualification in effect so long as required for distribution of the 2001 Bonds; provided, however, that in no event shall the Authority be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject;

(g) As of the date thereof, the Preliminary Official Statement (excluding therefrom information relating to DTC and the book-entry system and Financial Security and the Policy as to which no representation is made) did not, except as revised by the Official Statement, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect;

(h) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the 2001 Bonds, the Official Statement (excluding therefrom information relating to DTC and the book-entry system and Financial Security and the Policy as to which no representation is made) did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(i) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the 2001 Bonds, an event occurs which might or would cause the information contained in the Official Statement (excluding therefrom information relating to DTC and the book-entry system and Financial Security and the Policy as to which no representation is made), as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the Authority will notify the Underwriter, and, if in the opinion of the Authority, the Underwriter or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will forthwith prepare and furnish to the Underwriter (at the expense of the Authority) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the 2001 Bonds, the Authority will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(j) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (i) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the 2001 Bonds, the portions of the Official Statement (excluding therefrom information relating to DTC and the book-entry system and Financial Security and the Policy as to which no representation is made) so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(k) After the Closing until the date which is 25 days after the End of the Underwriting Period for the 2001 Bonds, the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing or which shall be disapproved by counsel for the Underwriter; and

(l) As used herein and for the purposes of the foregoing, the term "End of the Underwriting Period" for the 2001 Bonds shall mean the earlier of (i) the Closing Date or (ii) the date on which the End of the Underwriting Period for the 2001 Bonds has occurred under Rule 15c2-12, as specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period.

3. Representations, Warranties and Agreements of the County. The County hereby represents, warrants and agrees with the Underwriter as follows:

(a) The County is and will be on the Closing Date a political subdivision of the State of California organized and operating pursuant to the laws of the State of California with full power and authority to execute and deliver the Official Statement, and to enter into this Purchase Contract and the Financing Documents to be executed by it;

(b) By official action of the County prior to or concurrently with the acceptance hereof, the County has duly authorized and approved the execution and delivery of, and the performance by the County of the obligations on its part contained in, the Financing Documents to be executed by it and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Contract;

(c) To the best knowledge of the County, the execution and delivery of the Financing Documents to be executed by it, this Purchase Contract and the Official Statement, and compliance with the provisions on the County's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the County under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note resolution, agreement or other instrument, except as provided in the Financing Documents;

(d) To the best knowledge of the County, the County is not in any material respect in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute a default or an event of default under any such instrument;

(e) To the best knowledge of the County, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the County in any material respect affecting the existence of the County or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the 2001 Bonds or the payment of Base Rental Payments or in any way contesting or affecting the validity or enforceability of the 2001 Bonds, the Financing Documents to which the County is a party or this Purchase Contract or contesting the powers of the County or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Financing Documents to be executed by it or this Purchase Contract;

(f) The County will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order to qualify the 2001 Bonds for offer and sale under the blue sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and will use its best efforts to continue such qualification in effect so long as required for distribution of the 2001 Bonds; provided, however, that in no event shall the County be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject;

(g) As of the date thereof, the Preliminary Official Statement (excluding therefrom information relating to DTC and the book-entry system and Financial Security and the Policy as to which no representation is made) did not, except as revised by the Official Statement, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect;

(h) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the 2001 Bonds, the Official Statement (excluding therefrom information relating to DTC and the book-entry system and Financial Security and the Policy as to which no representation is made) did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the 2001 Bonds, an event occurs which might or would cause the information contained in the Official Statement (excluding therefrom information relating to DTC and the book-entry system and Financial Security and the Policy as to which no representation is made), as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the County will notify the Underwriter, and, if in the opinion of the Underwriter, the County or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the County will forthwith prepare and furnish to the Underwriter (at the expense of the County) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the 2001 Bonds, the County will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(j) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (i) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the 2001 Bonds, the portions of the Official Statement (excluding therefrom information relating to DTC and the book-entry system and Financial Security and the Policy as to which no representation is made) so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(k) After the Closing until the date which is 25 days after the End of the Underwriting Period for the 2001 Bonds, the County will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing or which shall be disapproved by counsel for the Underwriter;

(l) As used herein and for the purposes of the foregoing, the term "End of the Underwriting Period" for the 2001 Bonds shall mean the earlier of (i) the Closing Date or (ii) the date on which the End of the Underwriting Period for the 2001 Bonds has occurred under Rule 15c2-12, as specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period; and

(m) Between the date of this Purchase Contract and the Closing Date, the County will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent other than in the ordinary course of its business or as disclosed in the Official Statement.

4. Conditions to the Obligations of the Underwriter.

The Underwriter hereby enters into this Purchase Contract in reliance upon the representations and warranties of the Authority and the County contained herein and the representations and warranties of the Authority and the County to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and the County of their obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the 2001 Bonds shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties of the Authority and the County contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the County and the Authority made in any certificate or other document furnished pursuant to the provisions hereof, to the performance by the Authority and the County of their respective obligations to be performed hereunder and under the Financing Documents at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) The Underwriter shall receive, within seven business days of the date hereof, copies of the Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter), in such reasonable quantity as the Underwriter shall have requested;

(b) At the Closing, the Financing Documents shall have been duly authorized, executed and delivered by the respective parties thereto, and the Official Statement shall have been duly authorized, executed and delivered by the Authority and the County, all in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and shall be in full force and effect; and there shall be in full force and effect such resolution or resolutions of the Governing Board of the Authority and the Board of Supervisors of the County as, in the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), shall be necessary or appropriate in connection with the transactions contemplated hereby;

(c) Prior to or simultaneously with the execution of this Purchase Contract, the Underwriter shall have received from the Authority and the County a letter, dated the date of the Preliminary Official Statement, addressed to the Underwriter, consenting to the posting of the Preliminary Official Statement on the Thomson Prospectus website;

(d) Between the date hereof and the Closing Date, the market price or marketability, at the initial offering price set forth in the Official Statement, of the 2001 Bonds shall not have been materially adversely affected, in the reasonable judgment of the Underwriter (evidenced by a written notice to the Authority and the County terminating the obligation of the Underwriter to accept delivery of and make any payment for the 2001 Bonds), by reason of any of the following:

(1) legislation enacted (or resolution passed) by or introduced or pending legislation amended in the Congress or recommended for passage by the President of the United States, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Chairman or ranking minority member of the Committee on Ways and Means of the House of Representatives or the Chairman or ranking minority member of the Committee on Finance of the Senate, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or press release issued or made by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon moneys that would be received by the Authority or the County or Base Rental Payments that would be received by the Trustee under the Trust Agreement or upon interest on the 2001 Bonds that would be received by the Bondowners;

(2) the declaration of war or engagement in major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of or the financial community in the United States;

(3) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(4) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the 2001 Bonds or obligations of the general character of the 2001 Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(5) legislation enacted (or resolution passed) by or introduced or pending legislation amended in the Congress or recommended for passage by the President of the United States, or an order, decree or injunction issued by any

court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed) or press release issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the 2001 Bonds, or the 2001 Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended, or that the execution, offering or sale of obligations of the general character of the 2001 Bonds, or of the 2001 Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement, otherwise is or would be in violation of the federal securities laws as amended and then in effect;

(6) the withdrawal or downgrading of any rating of the 2001 Bonds by a national rating agency or the placing of the 2001 Bonds on credit watch or under review of any such rating agency that has assigned a rating to the 2001 Bonds; or

(7) any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect of causing the Official Statement to contain any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(e) At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) Two copies of the Financing Documents, each duly executed and delivered by the respective parties thereto;

(2) The approving opinion, dated the Closing Date and addressed to the Authority and the County, of Bond Counsel in substantially the form attached to the Official Statement as Appendix E, and a letter of such counsel, dated the Closing Date and addressed to the Underwriter to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them;

(3) The supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, substantially to the effect that (i) this Purchase Contract and the Continuing Disclosure Agreement have been duly executed and delivered, as appropriate, by the Authority and/or the County and (assuming due authorization, execution and delivery by and validity with respect to the respective parties thereto) constitute valid and binding obligations of the Authority and the County, subject to bankruptcy or other laws affecting creditors' rights, the exercise of judicial discretion, the application of equitable principles, and the limitations on legal remedies against public agencies in the State of

California, and no opinion is expressed with respect to any indemnification or contribution provisions herein; (ii) the 2001 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended (provided that no opinion is given with respect to the Policy); and (iii) the statements contained in the Official Statement under the captions "THE 2001 BONDS," "SECURITY FOR THE 2001 BONDS" (excluding the statements contained under the subheading "Outstanding Parity Bonds"), "BASE RENTAL PAYMENTS," and "TAX MATTERS" and in "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS," and "APPENDIX E - PROPOSED FORM OF OPINION OF BOND COUNSEL" and "APPENDIX F - PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT," insofar as such statements purport to summarize certain provisions of the Financing Documents and Bond Counsel's opinion concerning certain federal tax matters relating to the 2001 Bonds, are accurate in all material respects;

(4) The opinion of the counsel for the Authority, dated the Closing Date and addressed to the Underwriter, to the effect that (i) the Authority is a joint exercise of powers agency organized under the laws of the State of California; (ii) the resolution of the Authority approving and authorizing the execution and delivery by the Authority of the Financing Documents to which it is a party, this Purchase Contract and the Official Statement (the "Resolution") was duly adopted at a meeting of the Governing Board of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout; (iii) to the best knowledge of such counsel, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against the Authority, to restrain or enjoin the Base Rental Payments under the Master Facility Lease, or in any way contesting or affecting the validity of the 2001 Bonds, the Financing Documents or this Purchase Contract; (iv) the execution and delivery of the Financing Documents to which the Authority is a party, this Purchase Contract and the Official Statement, the adoption of the Resolution, and compliance by the Authority with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach or default under any agreement or other instrument to which the Authority is a party (and of which such counsel is aware after reasonable investigation) or by which it is bound (and of which such counsel is aware after reasonable investigation) or, to the best knowledge of such counsel, any existing law, regulation, court order or consent decree to which the Authority is subject (except that no opinion is expressed by such counsel with respect to federal securities laws or any federal, state or local tax law); (v) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the Authority is required for the valid authorization, execution, delivery and performance by the Authority of the Financing Documents to which the Authority is a party, the Official Statement or this Purchase Contract or for the

adoption of the Resolution which has not been obtained; and (vi) the information contained in the Official Statement under the caption "THE AUTHORITY" does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(5) The opinion, dated the Closing Date and addressed to the Underwriter, the Authority and the County, of Counsel to the Trustee, in substantially the form of Exhibit B hereto;

(6) The opinion of counsel to the County, dated the Closing Date and addressed to the Underwriter, to the effect that (i) the County is a political subdivision of the State of California organized and operating pursuant to the Constitution and laws of the State of California; (ii) the resolution or resolutions of the County approving and authorizing the execution and delivery by the County of the Financing Documents to which it is a party, this Purchase Contract and the Official Statement (the "County Resolution") were duly adopted at meetings of the Board of Supervisors of the County which were called and held pursuant to law and with all public notice required by law and at which a quorum was present acting throughout; (iii) to the best knowledge of such counsel, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against the County, to restrain or enjoin the Base Rental Payments under the Master Facility Lease, or in any way contesting or affecting the validity of the 2001 Bonds, the Financing Documents or this Purchase Contract; (iv) the execution and delivery of the Financing Documents to which the County is a party, this Purchase Contract and the Official Statement, the adoption of the County Resolution, and compliance by the County with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach or default under any agreement or other instrument to which the County is a party (and of which such counsel is aware after reasonable investigation) or by which it is bound (and of which such counsel is aware after reasonable investigation) or, to the best knowledge of such counsel, any existing law, regulation, court order or consent decree to which the County is subject (except that no opinion is expressed by such counsel with respect to federal securities laws or any federal, state or local tax law); (v) no authorization, approval, consent or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the County is required for the valid authorization, execution, delivery and the performance by the County of the Financing Documents to which the County is a party, the Official Statement or this Purchase Contract or for the adoption of the County Resolution which has not been obtained; and (vi) the information contained in the Official Statement under the captions "THE 2001 PROJECT," "THE LEASED PROPERTY" and "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" and in "APPENDIX A - THE COUNTY OF SAN MATEO" (excluding therefrom financial statements and statistical data, as to which no opinion need be

expressed) does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(7) The opinion, dated the Closing Date and addressed to the Underwriter, of Sidley Austin Brown & Wood LLP, San Francisco, California, counsel for the Underwriter ("Underwriter's Counsel") to the effect that (a) the 2001 Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended; and (b) without passing upon or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement and making no representation that they have independently verified the accuracy, completeness or fairness of any such statements, based upon the information made available to them in the course of their participation in the preparation of the Official Statement as counsel for the Underwriter, nothing has come to their attention which would lead them to believe that the Official Statement (excluding therefrom financial statements and statistical data and the information concerning Financial Security and the Policy and DTC and the book-entry system and the Appendices thereto, as to which no opinion need be expressed) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(8) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the Authority satisfactory to the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that, to the best of such official's knowledge, (a) the representations and warranties of the Authority contained in this Purchase Contract are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (b) except as disclosed in the Official Statement, no litigation is pending or threatened against the Authority (i) to restrain or enjoin the issuance, sale or delivery of any of the 2001 Bonds or the payment of Base Rental Payments under the Master Facility Lease, (ii) in any way contesting or affecting the validity of the 2001 Bonds, this Purchase Contract or the Financing Documents to which the Authority is a party, or (iii) in any way contesting the existence or powers of the Authority; and (c) no event affecting the Authority has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement under the caption "THE AUTHORITY" or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein under the caption "THE AUTHORITY" not misleading in any material respect;

(9) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the County satisfactory to the Underwriter, in form and

substance satisfactory to the Underwriter, to the effect that, to the best of such official's knowledge, (a) the representations and warranties of the County contained in this Purchase Contract are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (b) except as disclosed in the Official Statement, no litigation is pending or threatened against the County (i) to restrain or enjoin the issuance, sale or delivery of the 2001 Bonds or the Base Rental Payments under the Master Facility Lease; (ii) in any way contesting or affecting the validity of the 2001 Bonds, this Purchase Contract or the Financing Documents to which the County is a party; or (iii) in any way contesting the existence or powers of the County; and (c) no event affecting the County has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement relating to the County or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein relating to the County not misleading in any material respect;

(10) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, satisfactory in form and substance to the Underwriter, to the effect that:

(a) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States, having the full power and being qualified to enter into and perform its duties under the Trust Agreement and the Continuing Disclosure Agreement;

(b) the Trustee is duly authorized to enter into the Trust Agreement and the Continuing Disclosure Agreement and the Trustee has duly executed and delivered the Trust Agreement and the Continuing Disclosure Agreement;

(c) the execution and delivery of the Trust Agreement and the Continuing Disclosure Agreement and compliance with the provisions on the Trustee's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or blue sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the Trust Agreement and the Continuing Disclosure Agreement under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Trust Agreement and the Continuing Disclosure Agreement;

(d) to the best of the knowledge of the Trustee, it has not been served with any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, nor is any such action or other proceeding threatened against the Trustee, as such but not in its individual capacity, affecting the existence of the Trustee, or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the collection of Revenues to be applied to pay the principal, premium, if any, and interest on the 2001 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Trust Agreement and the Continuing Disclosure Agreement, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Trust Agreement or the Continuing Disclosure Agreement;

(11) Two copies of the Official Statement, executed on behalf of the Authority and the County by authorized representatives thereof;

(12) Two certified copies of the general resolution of the Trustee authorizing the execution and delivery of the Trust Agreement and the Continuing Disclosure Agreement;

(13) Two certified copies of the Resolution of the Authority adopted on ____________, 2001 authorizing the execution and delivery of the Financing Documents to which the Authority is a party, the Official Statement and this Purchase Contract;

(14) Two certified copies of the County Resolution adopted on ____________, 2001 authorizing the execution and delivery of the Financing Documents to which the County is a party, the Official Statement and this Purchase Contract;

(15) Evidence that any ratings described in the Official Statement are in full force and effect as of the Closing Date;

(16) The Policy, duly executed by Financial Security;

(17) An opinion, dated the Closing Date and addressed to the Underwriter, the Authority and the County, of counsel to Financial Security;

(18) A copy of the Blanket Letter of Representation to DTC relating to the 2001 Bonds signed by DTC and the Authority;

(19) Arbitrage and tax certifications by the Authority in form and substance acceptable to Bond Counsel and the Underwriter;

(20) Evidence of title to the Leased Property satisfactory to the Underwriter; and

(21) Such additional legal opinions, certificates, proceedings, instruments, title insurance, other insurance policies or evidences thereof and other documents as the Underwriter, Underwriter's Counsel or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the Authority and the County herein and of the statements and information contained in the Official Statement, and the due performance or satisfaction by the Trustee, the Authority and the County at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by any of them in connection with the transactions contemplated hereby and by the Financing Documents.

If the Authority or the County shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the County and the Authority and neither the Underwriter nor the Authority or County shall have any further obligations hereunder. In the event that the Underwriter fails (other than for a reason permitted by this Purchase Contract) to accept and pay for the 2001 Bonds at the Closing, the amount of one percent (1%) of the aggregate principal amount of the 2001 Bonds shall be payable by the Underwriter as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriter and the acceptance of such amount shall constitute a full release and discharge of all claims and rights of the Authority or County against the Underwriter.

5. <u>Expenses</u>.

All expenses and costs incident to the authorization, execution, delivery and sale of the 2001 Bonds to the Underwriter, including the costs of printing of the 2001 Bonds, the Preliminary Official Statement, the Official Statement, the cost of duplicating the Financing Documents, the fees of accountants, consultants and rating agencies, the bond insurance premium, the initial fee of the Trustee and its counsel in connection with the execution and delivery of the 2001 Bonds and the fees and expenses of Bond Counsel, shall be paid from the proceeds of the 2001 Bonds. In the event that the 2001 Bonds for any reason are not issued, or to the extent proceeds of the 2001 Bonds are insufficient or unavailable therefor, any fees, costs and expenses owed by the Authority to the Trustee, which otherwise would have been paid from the proceeds of the 2001 Bonds, shall be paid by the Authority. All out-of-pocket expenses of the Underwriter, including traveling and other expenses, including those associated with the California Debt and Investment Advisory Commission fee, the costs of preparation of any blue sky and legal investment surveys prepared by Underwriter's Counsel and the fees and expenses of Underwriter's Counsel, shall be paid by the Underwriter.

6. Notices.

Any notice or other communication to be given to the parties to this Purchase Contract may be given by delivering the same in writing to the respective party at the following address:

Underwriter:	UBS PaineWebber Inc. One California Street, Suite 2700 San Francisco, California 94111 Attention: Municipal Securities Group
County:	County of San Mateo c/o County Manager's Office Hall of Justice and Records County Government Center 400 County Center Redwood City, California 94063 Attention: Assistant County Manager
Authority:	San Mateo County Joint Powers Financing Authority c/o County Manager's Office Hall of Justice and Records County Government Center 400 County Center Redwood City, California 94063 Attention: Assistant County Manager

7. Survival of Representations and Warranties.

The representations and warranties of the Authority and the County set forth in or made pursuant to this Purchase Contract shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Contract and regardless of any investigations or statements as to the results thereof made by or on behalf of the Underwriter and regardless of delivery of and payment for the 2001 Bonds.

8. Effectiveness.

This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by a duly authorized officer of the Authority and the County and shall be valid and enforceable as of the time of such acceptance.

9. Execution in Counterparts.

This Purchase Contract may be executed in counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

If the above terms are acceptable, please cause a duly authorized officer of the Authority and the County to execute the acceptance below.

Very truly yours,

UBS PAINEWEBBER INC.

By: UBS PaineWebber Inc., as Underwriter

By:________________________________

Title: Director

ACCEPTED:

SAN MATEO COUNTY JOINT POWERS
FINANCING AUTHORITY

By: ________________________________

Title: Assistant Secretary

COUNTY OF SAN MATEO

By: ________________________________

Title: Assistant County Manager

EXHIBIT A

MATURITY SCHEDULES

2001 Series A Bonds

Payment Dates (July 15)	Principal Amount	Interest Rate	Price or Yield
	$	%	%

2001 Series B Bonds

Payment Dates (July 15)	Principal Amount	Interest Rate	Price or Yield
	$	%	%

EXHIBIT B

FORM OF TRUSTEE COUNSEL'S OPINION

County of San Mateo
c/o County Manager's Office
Hall of Justice and Records
County Government Center
400 County Center
Redwood City, California 94063

San Mateo County Joint Powers
Financing Authority
c/o County Manager's Office
Hall of Justice and Records
County Government Center
400 County Center
Redwood City, California 94063

UBS PaineWebber Inc.
One California Street, Suite 2700
San Francisco, California 94111

Re: San Mateo County Joint Powers Financing Authority
Lease Revenue Bonds
(Capital Projects),
2001 Series A and 2001 Series B

Ladies and Gentlemen:

I have acted as special counsel to U.S. Bank Trust National Association (the "Trustee"), in connection with the Fifth Supplemental Trust Agreement, dated as of August 1, 2001, supplementing the Trust Agreement, dated as of April 15, 1994 as supplemented by the First Supplemental Trust Agreement, dated as of April 1, 1995, the Second Supplemental Trust Agreement, dated as of December 1, 1997, the Third Supplemental Trust Agreement, dated as of January 1, 1999, and the Fourth Supplemental Trust Agreement, dated as of February 15, 1999 (collectively, the "Trust Agreement"), between the San Mateo County Joint Powers Financing Authority (the "Authority") and the Trustee and the issuance of the Authority's Lease Revenue Refunding Bonds (Capital Projects), 2001 Series A and 2001 Series B (collectively, the "2001 Bonds"). This opinion is rendered pursuant to the Purchase Contract, dated August ___, 2001 (the "Purchase Contract") among the Authority, the County of San Mateo and UBS PaineWebber Inc., as Underwriter. All terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Purchase Contract.

In connection therewith, I have examined and reviewed such documents and certificates of public officials, officers of the Trustee and others as I have deemed necessary for the purposes of this opinion. In all such examinations, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals, the conformity to original and certified documents of all copies submitted to me as conformed or photostat copies, and the authenticity of the originals of all such latter documents. As to various questions of fact material to this opinion, I have relied, to the extent that I deemed such reliance proper, upon such certificates of officers of the Trustee. I have examined an executed counterparts of the Trust Agreement and the Continuing Disclosure Agreement and have assumed the power, municipal or corporate, as the case may be, and the legal authority to execute and deliver the same to the other parties thereto and the due authorization, execution and delivery thereof by the other parties thereto.

Based upon the foregoing, I am of the opinion that:

1. The Trustee has been duly organized and is validly existing in good standing as a national banking association under the laws of the United States of America with trust powers and full corporate power to undertake the trust of the Trust Agreement;

2. The Trustee has duly authorized, executed and delivered the Trust Agreement and the Continuing Disclosure Agreement and by all proper corporate action has authorized the acceptance of the duties and obligations of the Trustee under the Trust Agreement and the Continuing Disclosure Agreement;

3. The Trust Agreement and the Continuing Disclosure Agreement constitute legally valid and binding agreements of the Trustee, enforceable against the Trustee in accordance with their terms;

4. There is no litigation pending against the Trustee arising from its fiduciary activities to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Trust Agreement and the Continuing Disclosure Agreement;

5. The Trustee's action in executing and delivering the Trust Agreement and the Continuing Disclosure Agreement do not conflict with or constitute a breach of or default under any law or governmental regulation applicable to the Trustee.

My opinion with respect to the foregoing documents is qualified by (i) the application of bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws or general application affecting creditors' rights or (ii) the discretion of any court to refuse to order equitable relief, including specific performance of any clause of any such documents, whether such enforceability is considered in a proceeding in equity or at law.

This opinion is furnished by me to you solely for your benefit and may not, without my express written consent, be relied upon by any other person.

Very truly yours,

SAB&Wood LLP
Draft of 07/18/01

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST __, 2001

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

In the opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the 2001 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 2001 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2001 Bonds. See "TAX MATTERS" herein.

NEW ISSUE FULL BOOK-ENTRY

$35,000,000*
San Mateo County Joint Powers Financing Authority
Lease Revenue Bonds
(Capital Projects),

$________* 2001 Series A **$________* 2001 Series B**

Dated: August 1, 2001 Due: July 15, as shown on the inside cover

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

The 2001 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2001 Bonds. Individual purchases of the 2001 Bonds will be made in book-entry form only, all as described herein. Interest on the 2001 Bonds is payable on January 15, 2002 and semiannually thereafter on July 15 and January 15 of each year. Payments of principal, premium, if any, and interest on the 2001 Bonds will be paid by U.S. Bank Trust National Association, as Trustee, to DTC which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the Beneficial Owners of the 2001 Bonds.

The 2001 Bonds are subject to redemption prior to maturity as described herein.

The 2001 Bonds are being issued by the San Mateo County Joint Powers Financing Authority (the "Authority") pursuant to a Trust Agreement, dated as of April 15, 1994, as supplemented, including as supplemented by the Fifth Supplemental Trust Agreement, dated as of August 1, 2001 (collectively, the "Trust Agreement"), by and between the Authority and the Trustee, pursuant to which the Authority has previously issued its $124,355,000 aggregate principal amount of Lease Revenue Bonds (San Mateo County Health Center), 1994 Series A (the "1994 Bonds"), its $19,225,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects), 1995 Series A (the "1995 Bonds"), its $63,205,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects), 1997 Series A (the "1997 Bonds") and its $113,140,000 Lease Revenue Bonds (Capital Projects), 1999 Refunding Series A (the "1999 Bonds"). The 2001 Bonds are being issued to provide funds (i) to finance a portion of the costs of acquisition of a microwave and law enforcement mutual aid communications system and a sheriff's radio system, (ii) to finance the costs of acquisition and construction of a forensics laboratory and coroner's office for the County of San Mateo (the "County"), (iii) to fund a deposit to the reserve fund for the Bonds, (iv) to fund capitalized interest on the 2001 Bonds, and (v) to pay costs of issuance of the 2001 Bonds. See "THE 2001 PROJECT" herein.

The 2001 Bonds are limited obligations of the Authority payable solely from, and secured solely by, Revenues of the Authority, consisting primarily of, Base Rental Payments to be received by the Authority from the County under a Master Facility Lease, dated as of April 15, 1994, as amended, including as amended by the Fourth Amendment to the Master Facility Lease, dated as of August 1, 2001 (collectively, the "Master Facility Lease"), by and between the Authority and the County, for the right to use and possession of certain real property and facilities (the "Leased Property"), as more fully described herein. The County has agreed in the Master Facility Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event of delayed completion or material damage to or destruction of the Leased Property or a taking of the Leased Property in whole or in part. Pursuant to the Trust Agreement, the 2001 Bonds are secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the 1999 Bonds, the 1997 Bonds, the 1995 Bonds and the 1994 Bonds.

The scheduled payment of principal of and interest on the 2001 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2001 Bonds by FINANCIAL SECURITY ASSURANCE INC.

[LOGO]

The 2001 Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the full faith and credit of the Authority, the County or any Member of the Authority is pledged for the payment of the interest on or principal of the 2001 Bonds nor for the payment of Base Rental Payments. Neither the payment of the principal of or interest on the 2001 Bonds nor the obligation to make Base Rental Payments constitutes a debt, liability or obligation of the Authority, the County or any Member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Maturity Schedule*
(See Inside Cover)

The 2001 Bonds are offered when, as and if issued, subject to approval of validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriter by Sidley Austin Brown & Wood LLP, San Francisco, California. Certain legal matters will be passed upon for the Authority and for the County by County Counsel. It is expected that the 2001 Bonds will be available for delivery through the DTC book-entry system in New York, New York, on or about August __, 2001.

UBS PaineWebber Inc.

August __, 2001

* Preliminary, subject to change.

Maturity Schedule*

$__________ 2001 Series A Bonds
(Base CUSIP Number:)

$__________ Serial 2001 Series A Bonds

Maturity (July 15)	Principal Amount	Interest Rate	Price or Yield	CUSIP Number	Maturity (July 15)	Principal Amount	Interest Rate	Price or Yield	CUSIP Number
	$	%	%			$	%	%	

$__________ ____% Term 2001 Series A Bonds due July 15, ____, Price ____%, CUSIP Number __________
$__________ ____% Term 2001 Series A Bonds due July 15, ____, Price ____%, CUSIP Number __________

$__________ 2001 Series B Bonds
(Base CUSIP Number:)

$__________ Serial 2001 Series B Bonds

Maturity (July 15)	Principal Amount	Interest Rate	Price or Yield	CUSIP Number	Maturity (July 15)	Principal Amount	Interest Rate	Price or Yield	CUSIP Number
	$	%	%			$	%	%	

$__________ ____% Term 2001 Series B Bonds due July 15, ____, Price ____%, CUSIP Number __________

(accrued interest to be added)

* Preliminary, subject to change.

COUNTY OF SAN MATEO

Board of Supervisors

Mark Church, First District
Jerry Hill, Second District
Richard Gordon, Third District
Rose Jacobs Gibson, Fourth District
Michael D. Nevin, Fifth District

County Officials

John L. Maltbie, County Manager
Tom Huening, County Controller
Lee Buffington, County Treasurer-Tax Collector
Paul T. Scannell, Assistant County Manager
Reyna Farrales, Deputy County Manager
Thomas F. Casey, III, County Counsel

SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY

Governing Board

Lee Mitchell, President

Marty D. Tarshes Secretary	Victor Kyriakis
Frank Ingersoll, Jr.	Robert Sans

SPECIAL SERVICES

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

California Financial Services
Santa Rosa, California
Financial Adviser

U.S. Bank Trust National Association
San Francisco, California
Trustee

No dealer, broker, salesperson or other person has been authorized by the Authority, the County or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2001 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2001 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the County since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING FINANCIAL SECURITY ASSURANCE INC. ("FINANCIAL SECURITY") CONTAINED UNDER THE CAPTION "BOND INSURANCE" HEREIN, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY FINANCIAL SECURITY AND FINANCIAL SECURITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE 2001 BONDS; OR (iii) THE TAX-EXEMPT STATUS OF THE INTEREST ON THE 2001 BONDS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2001 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect, "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the captions "THE 2001 PROJECT", "THE LEASED PROPERTY" and "APPENDIX A – THE COUNTY OF SAN MATEO" in this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The County does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT

$35,000,000*

SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY
Lease Revenue Bonds
(Capital Projects),

$_________*	**$_________***
2001 Series A	**2001 Series B**

INTRODUCTION

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the 2001 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not otherwise defined herein shall have the respective meanings assigned to them elsewhere in this Official Statement.

Purpose

The purpose of this Official Statement, including the cover page and appendices hereto, is to provide certain information concerning the sale and delivery by the San Mateo County Joint Powers Financing Authority (the "Authority") of its Lease Revenue Bonds (Capital Projects), 2001 Series A in the principal amount of $_________* (the "2001 Series A Bonds") and 2001 Series B in the principal amount of $_________* (the "2001 Series B Bonds" and collectively with the 2001 Series A Bonds, the "2001 Bonds"). The 2001 Bonds are being issued to provide funds (i) to finance a portion of the costs of acquisition of a microwave and law enforcement mutual aid communications system and a sheriff's radio system (the "Communications Project"), (ii) to finance the costs of acquisition and construction of a forensics laboratory and coroner's office (the "County Crime Lab Project") for the County of San Mateo (the "County"), (iii) to fund a deposit to the reserve fund for the Bonds, (iv) to fund capitalized interest on the 2001 Bonds, and (v) to pay costs of issuance of the 2001 Bonds. See "THE 2001 PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the 2001 Bonds

The 2001 Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the "Bond Act"), and a Fifth Supplemental Trust Agreement, dated as of August 1, 2001, supplementing the Trust Agreement, dated as of April 15, 1994, as supplemented by the First Supplemental Trust Agreement, dated as of April 1, 1995, the Second Supplemental Trust Agreement, dated as of December 1, 1997, the Third Supplemental Trust Agreement, dated as of January 1, 1999, the Fourth Supplemental Trust Agreement, dated as of February 15, 1999, and the Fifth Supplemental Trust Agreement, dated as of August 1, 2001 (collectively, the "Trust Agreement"), by and between the Authority and U.S. Bank Trust National Association, as successor trustee (the "Trustee"), pursuant to which the Authority has previously issued its $124,355,000 aggregate principal amount of Lease Revenue Bonds (San Mateo County Health Center), 1994 Series A (the "1994 Bonds"), its $19,225,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects), 1995 Series A (the "1995 Bonds"), its $63,205,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects), 1997 Series A (the "1997 Bonds") and its $113,140,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects), 1999 Refunding Series A (the "1999 Bonds"). The County will enter into a Fourth Amendment to Master Facility Lease (as described below) pursuant to and in accordance with the Government Code of the State, other applicable laws of the State and resolutions adopted by the County and the Authority prior to the issuance of the 2001 Bonds.

* Preliminary, subject to change.

Security for the 2001 Bonds

The 2001 Bonds are limited obligations of the Authority payable solely from, and secured solely by, Revenues of the Authority, consisting primarily of Base Rental Payments to be received by the Authority from the County under a Master Facility Lease, dated as of April 15, 1994, as amended by the First Amendment to Master Facility Lease, dated as of April 1, 1995, the Second Amendment to Master Facility Lease, dated as of December 1, 1997, the Third Amendment to Master Facility Lease, dated as of January 1, 1999, and the Fourth Amendment to Master Facility Lease dated as of August 1, 2001 (collectively, the "Master Facility Lease"), by and between the Authority and the County. The Base Rental Payments to be made by the County pursuant to the Master Facility Lease are payable by the County from its General Fund to the Authority for the right to use and possession by the County of: (i) the real property and facilities comprising the existing San Mateo County General Hospital and the improvements constructed thereon to be known collectively as the San Mateo County Health Center, (ii) the County's Flood Park, (iii) the real property and the facilities comprising the County's Office Building Project, (iv) subject to the prior lease of such property in connection with the Authority's Lease Revenue Bonds Series of 1993 (North County Satellite Clinic Project) (the "1993 Bonds"), the real property and facilities comprising the County's North County Satellite Clinic, (v) the real property and the improvements to be constructed thereon comprising the County Crime Lab Project, and (vi) prior to the completion of the County Crime Lab Project (which is expected to occur by November 2002) and the San Mateo County Health Center (which is expected to occur by November 2002), the real property and facilities comprising the 1963 County Office Building, the County Hall of Justice and Records and the Maguire Correctional Facility (collectively, the "Leased Property"). The County has agreed in the Master Facility Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event of delayed completion or material damage to or destruction of the Leased Property or a taking of the Leased Property in whole or in part. Pursuant to a Master Site Lease, dated as of April 15, 1994, as amended by the First Amendment to Master Site Lease, dated April 1, 1995, the Second Amendment to Master Site Lease, dated as of December 1, 1997, the Third Amendment to Master Site Lease, dated as of January 1, 1999, and the Fourth Amendment to Master Site Lease, dated as of August 1, 2001 (collectively, the "Master Site Lease"), between the County and the Authority, the County has leased, or will lease, to the Authority the real property upon which the Leased Property is, or will be, located.

Outstanding Parity Bonds

As of August 1, 2001, the Authority had outstanding $181,435,000 aggregate principal amount of Bonds (as hereinafter defined), comprised of $6,360,000 principal amount of 1994 Bonds, $1,330,000 principal amount of 1995 Bonds, $62,060,000 principal amount of 1997 Bonds and $111,735,000 principal amount of 1999 Bonds, secured by a pledge, charge and lien upon the Revenues equal to the pledge, charge and lien securing the 2001 Bonds.

The 2001 Bonds constitute Additional Bonds pursuant to the Trust Agreement. The 2001 Bonds, together with the 1999 Bonds, the 1997 Bonds, the 1995 Bonds and the 1994 Bonds are collectively referred to herein as the "Bonds."

2001 Bonds Constitute Limited Obligations

The 2001 Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the funds pledged pursuant to the Trust Agreement. Neither the full faith and credit of the Authority, the County or any Member of the Authority is pledged for the payment of the interest on or principal of the 2001 Bonds nor for the payment of Base Rental Payments. Neither the payment of the principal of or interest on the 2001 Bonds nor the obligation to make Base Rental Payments constitutes a debt, liability or obligation of the Authority, the County or any Member of the Authority for which any such entity is obligated to levy or pledge any form or taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Bond Insurance

The scheduled payment of principal of and interest on the 2001 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2001 Bonds by Financial Security Assurance Inc. ("Financial Security"). See "BOND INSURANCE" herein.

Continuing Disclosure

The County has covenanted pursuant to a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") to provide certain financial information and operating data relating to the County by not later than ten months after the end of its Fiscal Year (currently June 30), commencing with the Fiscal Year ending June 30, 2001 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events (the "Listed Events"), if material. The Annual Report will be filed by the County with each Nationally Recognized Municipal Securities Information Repository and with any then-existing State Repository for the State of California (collectively, the "Repositories"). Currently, there is no State Repository for the State of California. The notices of material events will be filed with the Repositories. These covenants will be made in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). As of the date hereof, the County has never failed to comply in any material respect with any previous undertakings with regard to the provision of annual reports or notices of material events as required by the Rule. See "APPENDIX F – PROPOSED FORM OF THE CONTINUING DISCLOSURE AGREEMENT" herein.

Summaries Not Definitive

Brief descriptions of the 2001 Bonds, the Authority, the County, the Leased Property and Financial Security are included in this Official Statement, together with summaries of the Master Site Lease, the Master Facility Lease and the Trust Agreement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Bonds, the Master Site Lease, the Master Facility Lease and the Trust Agreement are qualified in their entirety by reference to the actual documents, or with respect to the 2001 Bonds, the forms thereof included in the Trust Agreement, copies of all of which are available for inspection at the corporate trust office of the Trustee at One California Street, 4th Floor, San Francisco, California.

Additional Information

The County regularly prepares a variety of publicly available reports, including audits, budgets and related documents. Any 2001 Bondowner may obtain a copy of any such report, as available, from the Trustee or the County. Additional information regarding this Official Statement may be obtained by contacting the Trustee or:

Mr. Paul T. Scannell
Assistant County Manager
County of San Mateo
Hall of Justice and Records
400 County Center, First Floor
Redwood City, California 94063
(650) 363-4131

THE 2001 PROJECT

The 2001 Bonds are being issued to provide funds (i) to finance a portion of the costs of acquisition of a microwave and law enforcement mutual aid communications system and a sheriff's radio system (the "Communications Project," as defined above), (ii) to finance the costs of acquisition and construction of a forensics laboratory and coroner's office for the County (the "County Crime Lab Project," as defined above), (iii) to fund a deposit to the reserve fund for the Bonds, (iv) to fund capitalized interest on the 2001 Bonds, and (v) to pay costs of issuance of the 2001 Bonds.

The Communications Project

The Communications Project consists of two component communications systems. The first component is replacement of a county-wide radio communications system used for radio communications with public safety agencies throughout the County (the "Mutual Aid System"), that was originally installed in 1970.

The current Mutual Aid System is owned and operated by the Emergency Services Council, a joint powers authority consisting of 20 cities and the County, as member agencies, that use the System. The Mutual Aid System provides service to each city in the County of San Mateo. Additional users include hospitals, fire agencies, the California Highway Patrol, the Department of Fish and Game, the Red Cross and the California Department of Transportation. The County has acted as the administrative agency responsible for maintaining and operating the system components not located within the facilities of the member agencies. The system components include the analog microwave system that is used to pass radio signals up and down the County, and the radio equipment that supports the system, including multiplexers, antenna structures, repeaters and power/back-up power systems. The new system will be installed, where possible, in the same locations and on the towers that currently house the Mutual Aid System equipment. Four major and six minor communication sites will be added to improve coverage in areas with difficult topography.

The Emergency Services Council has approved a contract with Motorola/Harris to build and install the new Mutual Aid System. The cost of acquiring, constructing and installing the Mutual Aid System is projected to total $13,813,528, including contingencies. Member agencies and system users were allocated a portion of the system's installation costs based on a pre-existing cost sharing formula. Each agency was given the option to pay cash or finance its share of the system's installation costs. The County's share of the costs of the Mutual Aid System are estimated to be approximately $9,131,497. In addition, the County will advance to the Cities of Redwood and East Palo Alto amounts to fund their shares ($319,192 and $83,485, respectively) of the costs of the project.

The County has served as the lead agency in developing the 54 sites where equipment will be installed as part of the replacement of the Mutual Aid System. In each of the areas where new sites will be utilized or existing equipment sites expanded or significantly modified, approval has been sought and received through the local planning process.

The second component of the Communications Project is the replacement of the County's radio system for use by the County Sheriff and other County departments (the "Sheriff's Radio System"). The Sheriff's Radio System includes a central, trunked transmitter and receiver system, antennas to be located on the same towers as the Mutual Aid System and handheld and emergency vehicle radio transceivers. The Sheriff's Radio System includes the capacity for voice and data transmission and links deputies in the field to crime databases available to the Sheriff at his central offices.

System components include repeaters, receivers, radios, antennas, multiplexers and voters. The County Board of Supervisors has approved a contract with Motorola/Harris to build and install the new Sheriff's Radio System. Project costs include equipment acquisition, installation, consultants, project management, taxes and contingency. The cost of the Sheriff's Radio System is estimated at $11,800,000.

The County Crime Lab Project

The County currently operates the San Mateo County Sheriff's Forensics Laboratory on Tower Road, the function of which is to analyze criminal evidence from police jurisdictions of the 22 cities within the County and Sheriff's investigations from unincorporated areas, as well as to provide forensic assistance to the County's District Attorney's Office and Probation Departments in connection with criminal cases. Personnel operating at the Forensics Laboratory include a Director, four Supervising Criminalists, 18 Forensics Criminalists and three administrative personnel. The building in which the Forensics Laboratory is now located was constructed in 1924 and has been modified from its original uses for use as a forensics laboratory. The County additionally maintains a County Coroner's Office, which is operated in 3,000 square feet of leased space in Redwood City. The Coroner's Office includes six criminal investigators and four administrative personnel.

A portion of the proceeds of the 2001 Bonds will be applied to finance the construction, furnishing and equipping of a new structure, co-locating the Forensics Laboratory and the County Coroner's Office (the "County Crime Lab Project") on a County-owned site in an unincorporated area of the County, next to the County Elections Office and Warehouse, on Tower Road. The old Forensics Laboratory building will be abandoned upon the completion of the new County Crime Lab Project. The expected cost of the project is $17,653,847, including design, engineering, construction, furnishing, equipment and related costs.

The County Crime Lab Project is being designed as a one-story building of approximately 30,000 square feet. The exterior will be split-face concrete block and high solar-efficient glass will be used for daylighting through exterior walls and skylights. The County has prepared for the design of the project to provide optimal energy conservation. Variable-volume fume hoods will draw energy only when active and all mechanical and electrical systems will be interfaced with sensitive sensor controls to reduce energy consumption. In addition, the building's sloping roofs will be designed for photovoltaic arrays capable of generating 180 kW, one-third of the building's projected electrical demand.

Turner Construction is the Construction Manager for the Crime Lab Project and will be responsible for design, development, management and supervision of the project. Pursuant to an agreement between the County and Turner Construction, Turner Construction will have full responsibility for the administration and management of the design and all phases of construction of the County Crime Lab Project. The construction work will be bid by the County utilizing prime contractors, with specifications and bid documents developed by Turner Construction. At the County's option, the County may assign the construction contracts to Turner Construction, Upon completion of the bidding process, Turner Construction will guarantee a maximum price of the project construction (the "contract amount"). The agreement with Turner Construction requires completion of the Crime Lab Project by November 2002 (the "contract time"). The County will have no financial responsibility for any change in the work to be performed under the project documents, in the scope of the project work or in the contract amount or the contact time, except in the event of a change initiated an approved by the County or a revision order resulting from an unforeseeable condition. Unforeseeable conditions are those conditions encountered in the performance of work on the County Crime Lab Project below the surface of the ground or conditions unknown or differing materially from those ordinarily encountered and generally recognizable as inherent in the type of project as the County Crime Lab Project. Unforeseeable conditions under the agreement also include occurrences beyond Turner Construction's control which are acts or neglect of the County or by changes ordered in the project by the County, or by labor disputes, fire, unusual delay in transportation, unusually adverse weather conditions, unavoidable casualties or by any other unforeseeable cause beyond Turner Construction's or the contractor's control which the County agrees would justify a delay.

Pursuant to the agreement with Turner Construction, the County has agreed to make incentive payments to Turner Construction in the amount of $10,000 for each seven-day period final completion is achieved prior to the contract time. In the event the contract time is delayed, Turner Construction is required under the agreement to pay liquidated damages to the County in the amount of $2,500 per day for each calendar day that the County Crime Lab Project is delayed beyond 30 days after the date scheduled for final completion (*i.e.*, October 31, 2002) as extended, if applicable, continuing to the time at which the project is finally completed.

The County Board of Supervisors published a negative declaration for the County Crime Lab Project on April 30, 2001 for a 20-day public review period. The public review period ended on May 21, 2001 and no comments were received. The County Board of Supervisors adopted the Negative Declaration on July 24, 2001 at a public hearing and a Notice of Determination was recorded subsequent to the hearing.

Plans and specifications for the Crime Lab Project are expected to be approved for bidding in September 2001. Construction is scheduled to commence in September 2001 and be completed by November 2002.

The Proposed 2001-02 State Budget contains $25 million in grant funds for local crime laboratory construction. Of that, 25% is set aside for applications that have plans in place for construction. The County anticipates receipt of approximately $6,000,000 in State funds to be applied to pay or reimburse the County for a portion of the costs of the County Crime Lab Project.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2001 Bonds, excluding accrued interest, are as follows:

Sources of Funds	
Par Amount of 2001 Bonds	$
Total Sources	$
Uses of Funds	
Project Fund	$
Reserve Fund[(1)]	
Capitalized Interest[(2)]	
Net Original Issue Discount	
Costs of Issuance[(3)]	
Underwriter' Discount	
Total Uses	$

(1) Represents the amount necessary to cause the balance on deposit in the Reserve Fund to be equal to the Reserve Fund Requirement. See "SECURITY FOR THE 2001 BONDS—Reserve Fund" herein.

(2) Represents accrued interest on the 2001 Bonds through July 15, 2002.

(3) Includes legal fees, financing and consulting fees, fees of bond counsel, printing costs, rating agency fees, bond insurance premium and other miscellaneous expenses.

THE 2001 BONDS

General Provisions

The 2001 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2001 Bonds. Payments of principal, premium, if any, and interest on the 2001 Bonds will be paid by the Trustee to DTC which is obligated in turn to remit such principal, premium, if any, and interest on the 2001 Bonds to its DTC Participants for subsequent disbursement to the Beneficial Owners of the 2001 Bonds. See "DTC and the Book-Entry System" below.

The 2001 Bonds will be dated August 1, 2001 and will bear interest from such date payable on January 15, 2002, and semi-annually thereafter on July 15 and January 15 of each year. Interest on the 2001 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. Ownership interests in each series of the 2001 Bonds will be in denominations of $5,000 principal amount or any integral multiple thereof.

Redemption of the 2001 Bonds

2001 Series A Bonds

Optional Redemption. The 2001 Series A Bonds maturing on or before July 15, ____ are not subject to optional redemption prior to their respective stated maturities. The 2001 Series A Bonds maturing on or after July 15, ____ are subject to optional redemption prior to their respective stated maturities at the written direction of the Authority, from any moneys deposited by the Authority or the County, as a whole or in part on any date (in such maturities as are designated in writing by the Authority to the Trustee) on or after July 15, ____, at the following redemption prices (expressed as percentages of the principal amount of such 2001 Series A Bonds called for redemption), together with accrued interest to the date fixed for redemption:

Redemption Period (dates inclusive)	Redemption Price
July 15, ____ through July 14, ____	%
July 15, ____ through July 14, ____	
July 15, ____ and thereafter	

Mandatory Sinking Fund Redemption. The 2001 Series A Bonds maturing on July 15, ____ and July 15, ____, respectively, are subject to mandatory sinking fund redemption prior to their respective stated maturities, in part on July 15 of each year on and after July 15, ____ and July 15, ____, respectively, by lot, from and in the amount of the mandatory sinking account payments due and payable on such dates, at a redemption price equal to the sum of the principal amount thereof, plus accrued interest thereon to the redemption date, without premium, in the amounts and on the dates set forth below (subject to modification in the event of optional redemption as described above or extraordinary redemption as described below):

2001 Series A Bonds Maturing July 15, ____		2001 Series A Bonds Maturing July 15, ____	
Sinking Fund Payment Date (July 15)	Principal Amount	Sinking Fund Payment Date (July 15)	Principal Amount
		†	

† Final Maturity.

Extraordinary Redemption. The 2001 Series A Bonds are subject to extraordinary redemption by the Authority on any date prior to their respective stated maturities, upon notice as provided in the Trust Agreement, as a whole or in part by lot within each stated maturity of the 2001 Series A Bonds, in integral multiples of authorized denominations, from prepayments made by the County from the net proceeds received by the County due to a taking of the Leased Property or portions thereof under the power of eminent domain, or from the net proceeds of insurance received for material damage to or destruction of the Leased Property or portions thereof or from the net proceeds of title insurance, under the circumstances described in the Trust Agreement and the Master Facility Lease, at a redemption price equal to the principal amount of the 2001 Series A Bonds to be redeemed and accrued interest thereon to the date of redemption, without premium. If less than all outstanding Bonds are to be redeemed on any one date, the Trustee shall select such Bonds to be redeemed so that the aggregate annual debt service on the Bond which will be payable after such redemption date will be as nearly proportional as practicable to the aggregate annual debt service on the Bonds outstanding prior to such redemption date.

2001 Series B Bonds

Optional Redemption. The 2001 Series B Bonds maturing on or before July 15, ____ are not subject to optional redemption prior to their respective stated maturities. The 2001 Series B Bonds maturing on or after July 15, ____ are subject to optional redemption prior to their respective stated maturities at the written direction of the Authority, from any moneys deposited by the Authority or the County, as a whole or in part on any date (in such maturities as are designated in writing by the Authority to the Trustee) on or after July 15, ____, at the following redemption prices (expressed as percentages of the principal amount of such 2001 Series B Bonds called for redemption), together with accrued interest to the date fixed for redemption:

Redemption Period (dates inclusive)	Redemption Price
July 15, ____ through July 14, ____	%
July 15, ____ through July 14, ____	
July 15, ____ and thereafter	

Special Optional Redemption. The 2001 Series B Bonds are subject to special optional redemption by the Authority prior to their respective stated maturities, as a whole or in part on any date on or after July 15, 2002 (in such maturities as are designated in writing by the Authority), in integral multiples of Authorized Denominations, from prepayments made by the County from moneys received from the State of California for a portion of the costs of the County Crime Lab Project (see "THE 2001 PROJECT—The County Crime Lab Project" herein), at a redemption price equal to the sum of the principal amount of the 2001 Series B Bonds called for redemption, without premium, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The 2001 Series B Bonds maturing on July 15, ____ are subject to mandatory sinking fund redemption prior to their stated maturity, in part on July 15 of each year on and after July 15, ____, by lot, from and in the amount of the mandatory sinking account payments due and payable on such dates, at a redemption price equal to the sum of the principal amount thereof, plus accrued interest thereon to the redemption date, without premium, in the amounts and on the dates set forth below (subject to modification in the event of optional redemption or special optional redemption as described above or extraordinary redemption as described below):

2001 Series B Bonds Maturing
July 15, ____

Sinking Fund Payment Date (July 15)	Principal Amount
†	

† Final Maturity.

Extraordinary Redemption. The 2001 Series B Bonds are subject to extraordinary redemption by the Authority on any date prior to their respective stated maturities, upon notice as provided in the Trust Agreement, as a whole or in part by lot within each stated maturity of the 2001 Series B Bonds, in integral multiples of authorized denominations, from prepayments made by the County from the net proceeds received by the County due to a taking of the Leased Property or portions thereof under the power of eminent domain, or from the net proceeds of insurance received for material damage to or destruction of the Leased Property or portions thereof or from the net proceeds of title insurance, under the circumstances described in the Trust Agreement and the Master Facility Lease, at a redemption price equal to the principal amount of the 2001 Series B Bonds to be redeemed and accrued interest thereon to the date of redemption, without premium. If less than all outstanding Bonds are to be redeemed on any one date, the Trustee shall select such Bonds to be redeemed so that the aggregate annual debt service on the Bond which will be payable after such redemption date will be as nearly proportional as practicable to the aggregate annual debt service on the Bonds outstanding prior to such redemption date.

Selection of 2001 Bonds for Redemption

If less than all of the 2001 Bonds of any one maturity of any series are to be redeemed at any one time, the Trustee shall select the 2001 Bonds of such maturity and series to be redeemed in any manner that the Trustee deems appropriate and fair. For purposes of such selection, 2001 Bonds of each series shall be deemed to be composed of $5,000 multiples and any such multiple may be separately redeemed. In the event term 2001 Bonds of any series are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption.

Notice of Redemption

Notice of redemption of any 2001 Bond will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, to the respective owners of the 2001 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. So long as DTC is acting as the securities depository for the 2001 Bonds, notice of redemption will be mailed to DTC, not to the Beneficial Owners of the 2001 Bonds. In the event of redemption of 2001 Bonds (other than sinking fund redemptions), the Trustee shall mail a notice of optional or extraordinary redemption, other than any notice that refers to 2001 Bonds that are to be redeemed from proceeds of a refunding bond issue or from amounts to be provided by Financial Security, as insurer of the 2001 Bonds, in its discretion, only if sufficient funds have been deposited with the Trustee to pay the applicable redemption price of the 2001 Bonds to be redeemed.

The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption, rescind and cancel such notice of redemption by written request to the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

Effect of Redemption

If money for the payment of the redemption price of the 2001 Bonds called for redemption is held by the Trustee, then from and after the date so designated for redemption, the interest on the 2001 Bonds so called for redemption will cease to accrue. Such 2001 Bonds will cease to be entitled to any benefit or security under the Trust Agreement and the registered owners of such 2001 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

DTC and the Book-Entry System

DTC will act as securities depository for the 2001 Bonds. The 2001 Bonds are being issued in fully-registered form and, when issued, will be registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered 2001 Bond certificate will be issued for each maturity of each series of the 2001 Bonds, each in the aggregate principal amount of such maturity of such series, and will be deposited with DTC. So long as Cede & Co. is the registered owner of the 2001 Bonds, as nominee of DTC, references herein to the owners of the 2001 Bonds shall mean Cede & Co. and shall not mean the actual purchasers of the 2001 Bonds (the "Beneficial Owners"). The information in this section and in Appendix B concerning DTC and DTC's book-entry system is based solely on information provided by DTC, and no representations can be made by the County, the Authority or the Trustee concerning the accuracy thereof. See "APPENDIX B – BOOK-ENTRY SYSTEM" for a further description of DTC and its book-entry system.

THE LEASED PROPERTY

The Leased Property includes (i) the real property and facilities comprising the existing San Mateo County General Hospital and the improvements constructed thereon to be known collectively as the San Mateo County Health Center, (ii) the County's Flood Park, (iii) the real property and the facilities known as the County's Office Building Project, (iv) subject to the prior lease of such property in connection with the 1993 Bonds, the real property and facilities comprising the County's North County Satellite Clinic, (v) the real property and the improvements to be constructed thereon comprising the County Crime Lab Project, and (vi) prior to completion of the County Crime Lab Project (which is expected to occur by November 2002) and the San Mateo County Health Center (which is expected to occur by November 2002), the real property and facilities comprising the County's 1963 Office Building, the County Hall of Justice and Records and the Maguire Correctional Facility.

The table below details the Leased Property and the period during which the Leased Property is to be leased pursuant to the Master Facility Lease.

THE LEASED PROPERTY

Leased Property	Lease Term
County Health Center	Upon completion of each component to final maturity of Bonds
County Flood Park	To final maturity of Bonds
County Office Building Project	To final maturity of Bonds
North County Satellite Clinic[(1)]	To final maturity of Bonds
County Crime Lab Project	Upon completion of project to final maturity of Bonds
County 1963 Office Building	Until completion of County Crime Lab Project and County Health Center
County Hall of Justice and Records	Until completion of County Crime Lab Project and County Health Center
Maguire Correctional Facility	Until completion of County Crime Lab Project and County Health Center

(1) Subject to prior lease of such property in connection with the 1993 Bonds.

County Health Center

Description. The existing County Hospital consists of one 1954 building containing 144,000 square feet of hospital space being remodeled and 267,000 square feet of new construction, the last component of which is scheduled for completion in November 2002, as part of the San Mateo County Health Center. The design, acquisition, construction and equipping of the San Mateo County Health Center project was funded with the proceeds of the 1994 Bonds and a portion of the proceeds of certain of the subsequent series of Bonds.

Completion of construction of the San Mateo County Health Center will allow the County to relocate all patient services to new facilities without interruption of existing health services currently provided at the County Hospital. All patient services will be in newly constructed facilities. Remodeled spaces will be used for administrative and support functions. The construction schedule prepared by the County and its construction manager permitted the continued and uninterrupted operation of the existing County Hospital and clinics during all phases of construction. Construction contracts have been bid in four main construction phases and two remodel phases. Construction has occurred continuously with phases overlapping one another where possible. As of June 2001, four phases of the construction were completed. Upon completion of each phase of the construction, the real property facilities comprising such phase have or will become Leased Property pursuant to the Master Facility Lease.

The first phase of construction commenced in May 1994 and was completed in January 1996. The first phase of construction replaced the deteriorating 1920s central plant with a new 18,500 square-foot, single-story facility. The new structure centralizes electrical and mechanical, utility, phone and computer service distribution to all new and existing buildings. The second phase of construction began in February 1995 and was completed in September 1998. The second phase of construction provided new outpatient facilities and began the remodeling of the existing 1954 County Hospital building. Portions of the existing County Hospital building have been seismically upgraded, the interior remodeled and the building converted from hospital occupancy to hospital support services. Second phase construction included 87,500 square feet of new space for outpatient clinics, public entry, clinical laboratory, pharmacy, rehabilitation services and short stay surgery and endoscopy, as well as remodeling the existing County Hospital first floor for dietary, materials management, non-administrative functions of the County Coroner (administrative offices of the County Coroner will be located at the site of the County Crime Lab Project as described under "THE 2001 PROJECT – The County Crime Lab Project" above) and hospital autopsy. The third phase of construction began in October 1995 and was completed in January 1998. The third phase of construction consisted of a 97,000 square-foot nursing wing for psychiatric, medical and skilled nursing units.

The fourth phase of construction began in August 1998 and was completed in June 2001. The fourth phase of construction provided for the construction of a new 66,000 square-foot diagnostic and treatment addition which allows all inpatient services including imaging, surgery, central sterile and special care to be removed from the 1954 County Hospital building. The addition also houses the emergency department and psychiatric emergency services, both of which have entrances separated from the main entrance.

The final phase of completion of the San Mateo County Health Center consists of the remodeling of the space vacated in the 1954 County Hospital building to be used for hospital administration and support facilities. Construction of the remodeling phase is scheduled to begin in October 2001 and be completed in November 2002.

The original estimated cost of construction of the San Mateo County Health Center was approximately $94,744,000. The total project cost of the San Mateo County Health Center is now expected to be $125,123,492. The cost through June 19, 2001 has been [$110,233,819]. Phase I was constructed within budget. Phases II and III were approximately $18,000,000 over budget due to a number of factors, including, among others, weather, unanticipated onsite contaminated soil and rock and the bidding climate, which escalated faster than anticipated. Phase IV was approximately [$1,000,000] over budget and ten months behind schedule. The remodel phases are estimated to cost approximately [$7,000,000]. Costs attributable to the County in excess of the original budget have been funded through excess interest earnings on construction funds invested longer than originally anticipated, amounts released from the Reserve Fund upon the issuance of the debt service reserve insurance policy for a portion of the Reserve Fund Requirement, proceeds of certain of the subsequent series of the Bonds applied for such purpose, value engineering, construction contingency funds and redesign of the project.

There are three claims pending against the San Mateo County Health Center Project, all of which have now been filed as lawsuits. One involves a claim from the former project architect for additional fees. A second (which has been consolidated with the first) involves a claim of the mechanical contractor for Phase II of the project. A third involves a claim by the drywall contractor for Phase IV of the project. This claim has been tendered to the project Construction Manager pursuant to the contract between the County and the Construction Manager. The tender has been rejected, but provisions of the contract require the Construction Manager to indemnify the County against contract claims. The County has reserved funds it expects to be sufficient for satisfaction of any County obligation under the outstanding claims.

See "APPENDIX A – THE COUNTY OF SAN MATEO—Services—Health-Related Services" herein.

Flood Park

Flood Park is located along the northerly side of Bay Road between Marsh Road and Ringwood Avenue in the City of Menlo Park. Flood Park is a portion of the Old Flood Estate and is famous for its large native Oak and Bay trees.

Flood Park is two parcels, diagonally divided by the 80-foot wide Hetch Hetchy right-of-way which is owned in fee by the City and County of San Francisco. The portion of Flood Park being leased pursuant to the Master Site Lease and the Master Facility Lease consists of one such parcel containing approximately 16.66 acres.

The southerly boundary of Flood Park adjoins Bay Road which is the boundary between the Town of Atherton (southerly side) and the City of Menlo Park (northerly side). The property is zoned open space and conservation district.

The adjoining property in the City of Menlo Park is zoned single family, urban residential, with a minimum lot area of 7,000 square feet.

Flood Park facilities consist of large group and family picnic areas, a children's playground, restrooms, horse shoe pits, volleyball courts, softball and baseball fields and tennis courts, together with large parking areas.

The Office Building Project

A portion of the proceeds of the 1997 Bonds were applied to finance the construction, furnishing and equipping of a new building located on property owned by the County as part of the County Government Center. The Office Building Project site is located at the corner of Middlefield Road and County Center Street, adjacent to the County's 900-car parking structure, which was completed in December 1994. The parcel is approximately 36,000 square feet. The Office Building Project is a 5-story building of approximately 120,000 square feet with a basement level of 30,000 square feet. The Office Building Project provides offices for the County Public Works Department, the Family Support Division of the District Attorney's Office, the County Assessor-Clerk-Recorder, the County Treasurer-Tax Collector and the County Controller.

Construction commenced in April 1998 and was completed in July 1999. The total cost of the Office Building Project was $23,302,417.

North County Satellite Clinic

In 1993, the County issued its 1993 Bonds in order to finance the costs of construction of a satellite clinic located on a site owned by the County in Daly City. The construction of the North County Satellite Clinic enabled the County to consolidate several functions of the County's Department of Health Services which were located in various leased spaces throughout the northern portion of the County. The site of the North County Satellite Clinic is approximately 50,000 square feet. The North County Satellite Clinic is a three-story building of approximately 31,000 square feet, which houses services provided by the County's Department of Health, including Mental Health, Primary Care, Women with Infants and Children (WIC) and Public Health programs. The facilities entail a common building and medical support space, including a small satellite laboratory, pharmacy and imaging spaces. A parking structure containing approximately 53 spaces is adjacent to the clinic building. The total project cost of the North County Satellite Clinic was approximately $7,500,000, which was funded from the proceeds of the 1993 Bonds.

County Crime Lab Project

For a discussion of the County Crime Lab Project to be leased pursuant to the Master Site Lease and the Master Facility Lease, see "THE 2001 PROJECT—The County Crime Lab Project" herein.

Release of Certain Property

Certain of the Leased Property is being leased pursuant to the Master Site Lease and the Master Facility Lease only until completion of the County Crime Lab Project and the San Mateo County Health Center. It is expected that the 1963 County Office building, the Hall of Justice and Records and the Maguire Correctional Facility will be leased pursuant to the Master Site Lease and the Master Facility Lease only during the period of construction of the County Crime Lab Project and the San Mateo County Health Center and that such facilities will be released from the Master Site Lease and the Master Facility Lease following the completion of construction and use and occupancy by the County of the County Crime Lab Project and the San Mateo County Health Center and will no longer constitute Leased Property. Each such facility to be released is briefly described below:

The 1963 County Office Building. The 1963 County Office building is a five-story 1963 County office building located in Redwood City, together with site development, landscaping, utilities, fixtures, furnishings, equipment, improvements and appurtenant and related facilities located on the 40,000 square-foot site thereof. The building is a steel frame structure, containing approximately 109,000 square feet. Originally constructed in 1963, the cost of construction was $4,200,000. The County's mainframe computer is located in the building, and in 1988 the County improved the computer center at a cost of $2,000,000. The 1963 County Office building houses the County's Information Systems Department, Employee and Public Services Department, Environmental Health Division of the Health Agency, Planning Division and Parks and Recreation Division of the Environmental Services Agency and the Local Agency Formation Commission.

The Hall of Justice and Records. The County's Hall of Justice and Records is located on a 60,000 square-foot site in Redwood City. The Hall of Justice and Records is an eight-story Class B steel frame building with precast concrete panels on the exterior. The building was constructed in two stages with the first stage being four stories built in 1958, and the second stage, an eight-story tower, being built in 1970. The basement area contains approximately 16,560 square feet with the first four floors containing approximately 183,718 square feet, and the remaining four floors containing approximately 83,760 square feet. The fourth Floor of the Hall of Justice and Records was remodeled with a portion of the proceeds of the 1995 Bonds.

The Maguire Correctional Facility. The County's Maguire Correctional Facility is located on a 17,324 square-foot site in Redwood City. The Maguire Correctional Facility was originally constructed in 1989, and contains four stories totaling approximately 38,549 square feet, including all works, property and structures comprising such facility, together with parking, landscaping, utilities, equipment, furnishings, improvements and related facilities. The Maguire Correctional Facility is a 240-bed facility. The four-story facility is of steel construction with a precast concrete exterior. The Maguire Correctional Facility does **not** include the 556-bed jail addition (the "Jail Addition") completed in July 1994, originally financed with the proceeds of the County's Certificates of Participation (Capital Projects Program) Series of 1991 for Correctional and Parking Facilities and refinanced with the proceeds of the Authority's Lease Revenue Bonds (Capital Projects Program) 1993 Refunding Series A.

SECURITY FOR THE 2001 BONDS

Pledge Under the Trust Agreement

The Trust Agreement provides that the 2001 Bonds are payable solely from, and are secured by a lien on, (a) all Base Rental Payments paid by the County and received by the Authority under the Master Facility Lease as further described below, (b) interest and other income derived from certain funds held under the Trust Agreement, and (c) any moneys payable to the Authority pursuant to an interest rate swap, cap, floor, collar or other hedging transaction (a "Swap") entered into by the Authority for the purpose of managing interest rate risk with respect to Bonds or any Additional Bonds (collectively, the "Revenues") and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than the Rebate Fund), all under the terms and conditions set forth in the Trust Agreement. The Authority has not entered into any Swap in connection with the Bonds. Pursuant to the Trust Agreement, the 2001 Bonds are secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the outstanding 1999 Bonds, the 1997 Bonds, the 1995 Bonds and the 1994 Bonds. As and to the extent set forth in the Trust Agreement, all the Revenues are irrevocably pledged for the security and payment of the Bonds and the sum payable by the Authority in connection with any Swaps; but nevertheless out of the Revenues certain amounts may be applied for other purposes as provided in the Trust Agreement.

The 2001 Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the funds pledged pursuant to the Trust Agreement. Neither the full faith and credit of the Authority, the County or any Member of the Authority is pledged for the payment of the interest on or principal of the 2001 Bonds nor for the payment of Base Rental Payments under the Master Facility Lease. Neither the payment of the principal of or interest on the 2001 Bonds nor the obligation to make Base Rental Payments under the Master Facility Lease constitutes a debt, liability or obligation of the Authority, the County or any Member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Outstanding Parity Bonds

As of August 1, 2001, the Authority had outstanding $181,435,000 aggregate principal amount of Bonds comprised of $6,310,000 principal amount of 1994 Bonds, $1,330,000 principal amount of 1995 Bonds, $62,060,000 principal amount of 1997 Bonds and $111,735,000 principal amount of 1999 Bonds secured by a pledge, charge and lien upon the Revenues equal to the pledge, charge and lien securing the 2001 Bonds.

Base Rental Payments

Revenues of the Authority pledged under the Trust Agreement to the payment of the 2001 Bonds consist primarily of the Base Rental Payments to be made by the County to the Authority under the Master Facility Lease. The obligation of the County to pay Base Rental Payments to the Authority when due is a General Fund obligation of the County. THE COUNTY HAS NOT PLEDGED THE FULL FAITH AND CREDIT OF THE COUNTY, THE STATE OR ANY AGENCY OR DEPARTMENT THEREOF TO THE PAYMENT OF SUCH BASE RENTAL PAYMENTS. For a further description of the Base Rental Payments, see "BASE RENTAL PAYMENTS" herein.

FOR INFORMATION REGARDING THE COUNTY, INCLUDING FINANCIAL INFORMATION, SEE APPENDIX A AND APPENDIX C ATTACHED HERETO. SEE ALSO "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" HEREIN.

The County's obligation to pay Base Rental Payments is subject to abatement. See "BASE RENTAL PAYMENTS—Abatement" herein. However, during periods of abatement, any moneys in the Reserve Fund or proceeds of rental interruption insurance are available to pay principal of and interest on the Bonds.

Reserve Fund

Upon issuance of the 2001 Bonds, there shall be deposited in the Reserve Fund established pursuant to the Trust Agreement from the proceeds of the 2001 Bonds an amount sufficient to cause the amount on deposit therein to be at least equal to the Reserve Fund Requirement ($__________), of which $__________ has been funded with cash and $5,490,671.25 has been funded with municipal bond debt service reserve insurance policies issued by Financial Security pursuant to the provisions described below. See also "Investment of Bond Funds" below. All money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Bonds or for the retirement of all the Bonds (including the 2001 Bonds, the 1999 Bonds, the 1997 Bonds, the 1995 Bonds and the 1994 Bonds, all of which are secured by the Reserve Fund) then outstanding, except that so long as the Authority is not in default under the Trust Agreement, any cash amounts in the Reserve Fund in excess of the Reserve Fund Requirement may be withdrawn from the Reserve Fund and deposited in the Acquisition and Construction Fund prior to completion of the San Mateo County Health Center, and thereafter to the Revenue Fund, on or before each interest payment date. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE TRUST AGREEMENT—Revenue Fund" herein.

A surety bond or insurance policy issued to the Trustee, on behalf of the Bondowners, by a company licensed to issue an insurance policy guaranteeing the timely payment of principal of and interest on the Bonds (a "municipal bond insurer") the claims-paying ability of which is rated "Aaa" by Moody's Investors Service ("Moody's") and "AAA" by Standard & Poor's or a letter of credit issued or confirmed by a state or national bank, or a foreign bank with an agency or branch located in the continental United States, which has outstanding an issue of unsecured long term debt securities rated at least equal to the second highest rating category of Moody's and Standard & Poor's, but in no event less than the rating for the Bonds given by any rating agency which has a then currently effective rating on the Bonds, may be deposited in the Reserve Fund to meet the Reserve Fund Requirement, upon the consent of Financial Security, as insurer of the Bonds, and subject to the terms and conditions of the Trust Agreement.

Substitution of Leased Property

Pursuant to the Master Facility Lease, the County and the Authority may, with the prior written consent of Financial Security, as insurer of the Bonds, substitute real property as part of the Leased Property being leased for purposes of the Master Site Lease and the Master Facility Lease, but only after the County shall have filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the following:

(a) Executed copies of the Master Site Lease and the Master Facility Lease or amendments thereto containing the amended description of the Leased Property and the real property being leased, including the legal description of the real property being leased as modified if necessary;

(b) A Certificate of the County with copies of the Master Site Lease and the Master Facility Lease, if needed, or amendments thereto containing the amended description of the Leased Property and the real property being leased stating that such documents have been duly recorded in the official records of the County Recorder of the County;

(c) A Certificate of the County, accompanied by a written appraisal, from a qualified appraiser, who may but need not be an employee of the County, evidencing that the annual fair rental value of the Leased Property and the real property which will constitute the Leased Property after such substitution (which may be based on the construction or acquisition cost or replacement cost of such facility to the County) will at least equal 100% of the maximum amount of Base Rental Payments becoming due in the then current year ending July 15 or in any subsequent year ending July 15;

(d) (i) A California Land Title Association leasehold owner's policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing policy or policies resulting in title insurance with respect to the real property being leased after such substitution in an amount at least equal to the amount of such insurance provided with respect to the real property being leased prior to such substitution; each such insurance instrument, when issued, shall name the Trustee as the insured, and shall insure the leasehold estate of the Authority in such substituted property subject only to such exceptions as do not substantially interfere with the County's right to use and occupy such substituted property and as will not result in an abatement of Base Rental Payments payable by the County under the Master Facility Lease; or

(ii) An Opinion of Counsel or Certificate of the County stating that, based upon review of such instruments, certificates or any other matters described in such Opinion of Counsel or Certificate of the County, the County has good merchantable title to the Leased Property and the real property being leased which will constitute the Leased Property and the real property being leased after such substitution. The term "Good Merchantable Title" shall mean such title, as in the Opinion of Counsel or Certificate of the County is satisfactory and sufficient for the needs and operations of the County, subject only to certain permitted encumbrances;

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

(f) An Opinion of Counsel stating that such amendment or modification (i) is authorized or permitted by the Constitution and laws of the State and the Master Facility Lease; (ii) complies with the terms of the Constitution and laws of the State and of the Master Facility Lease; (iii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the County in accordance with its terms; and (iv) will not cause the interest on the Bonds and any Additional Bonds to be included in gross income for federal income tax purposes.

Additional Bonds

In addition to the 2001 Bonds, the 1999 Bonds, the 1997 Bonds, the 1995 Bonds and the 1994 Bonds, the Authority and the Trustee may, with the prior written consent of Financial Security, as insurer of the Bonds, by supplemental Trust Agreement provide for the issuance of Additional Bonds, subject to satisfaction of certain provisions contained in the Trust Agreement. Additional Bonds will be payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the outstanding Bonds theretofore issued under the Trust Agreement, subject to the terms and conditions of the Trust Agreement. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE TRUST AGREEMENT—Additional Bonds" herein. See also "APPENDIX A – THE COUNTY OF SAN MATEO – County Debt Limit" herein. In addition, the Authority may, with the prior written consent of Financial Security, as insurer of the Bonds, enter into swap agreements, payments under which would be on a parity with the Bonds. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE TRUST AGREEMENT—Pledge of Revenues; Creation of Special Funds and Accounts" herein.

Investment of Bond Funds

Pursuant to the Trust Agreement, all money held by the Trustee in any of the funds or accounts established pursuant to the Trust Agreement are required to be invested only in "Permitted Investments" as defined in the Trust Agreement. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—CERTAIN DEFINITIONS," herein. None of the proceeds of the Bonds have been or are expected to be deposited in the County Treasurer's Investment Pool. The proceeds of the 1994 Bonds were invested pursuant to an investment agreement with MBIA Investment Management Corp., the obligations of which under the investment agreement are insured by MBIA Insurance Corporation. MBIA Insurance Corporation does not guarantee or otherwise provide for payment on the 1994 Bonds. The proceeds of the 1995 Bonds deposited in the 1995 Series A Acquisition and Construction Account and the Capitalized Interest Account (which amounts have been expended) were invested pursuant to an investment agreement with Scott Fetzer Financial Group, Inc., a Delaware corporation, the obligations of which under the investment agreement are guaranteed by Berkshire Hathaway, Inc. The proceeds of the 1995 Bonds deposited in the Reserve Fund were invested in an investment agreement with Berkshire Hathaway, Inc. The proceeds of the 1997 Bonds deposited in the 1997 Series A Acquisition and Construction Account allocated to the Office Building Project and the Reserve Fund were invested pursuant to an investment agreement with MBIA Inc., the obligations of which under the investment agreement are insured by MBIA Insurance Corporation. **[Describe any proposed investment agreements for 2001 Bonds?]** In the event the long-term debt rating of the investment provider (or the insurer in the case of the 1994 investment agreement or the 1997 investment agreement) is reduced below "AA" by Standard & Poor's or "Aa" by Moody's Investors Service, the obligations of the investment provider thereunder are required to be collateralized with federal securities or a substitute investment agreement with an investment provider (or guaranteed by a guarantor) meeting such rating. Upon the failure of delivery of such collateral or such substitute investment agreement, the investment agreement may be terminated by the Trustee upon two business days' notice.

BOND INSURANCE

The following information concerning Financial Security and its insurance policy for the 2001 Bonds has been provided by representatives of Financial Security and has not been independently confirmed or verified by the Authority or the County. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained and incorporated herein by reference is correct. Reference is made to APPENDIX H for a specimen of Financial Security's insurance policy.

Bond Insurance Policy

Concurrently with the issuance of the 2001 Bonds, Financial Security will issue its Municipal Bond Insurance Policy (the "Policy") for the 2001 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the 2001 Bonds when due as set forth in the form of the Policy included as APPENDIX H to this Official Statement.

THE POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

Financial Security Assurance Inc. [Update]

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is a New York Stock Exchange listed company whose major shareholders include Fund American Enterprises Holdings, Inc., EXEL Limited, The Tokio Marine and Fire Insurance Co., Ltd. and MediaOne Capital Corporation. The shareholders of Holdings are not liable for the obligations of Financial Security.

In November 1998, Holdings made an additional investment in Financial Security as part of a joint venture with EXEL Limited and the issuance by Holdings of additional shares and debt (the "November 1998 transaction"). At September 30, 1998, Financial Security's total policyholders' surplus and contingency reserves were approximately $843,099,000 ($993,099,000 as adjusted for the November 1998 transaction) and its total unearned premium reserve was approximately $567,462,000 in accordance with statutory accounting principles. At September 30, 1998, Financial Security's total shareholders' equity was approximately $997,855,000 ($1,067,855,000 as adjusted for the November 1998 transaction) and its total net unearned premium reserve was approximately $480,089,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the 2001 Bonds.

Copies of such materials incorporated by reference will be provided upon request to Financial Security: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the 2001 Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the 2001 Bonds or the advisability of investing in the 2001 Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Authority the information presented under this caption for inclusion in the Official Statement.]

BASE RENTAL PAYMENTS

General

As rental for the right to use and occupy the Leased Property, the County covenants to pay Base Rental Payments and also to pay Additional Payments in amounts required by the Authority for the payment of all costs and expenses incurred by the Authority in connection with the Leased Property as described in the Master Facility Lease, including without limitation, the fees, costs and expenses and all administrative costs of the Authority related to the Leased Property and the fees of auditors, accountants, attorneys or architects.

County General Fund Obligation

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

Notwithstanding any dispute between the County and the Authority, the County must make all Base Rental Payments and Additional Payments when due without deduction or offset of any kind and cannot withhold any such payments pending final resolution of such dispute. The Master Facility Lease is a "net-net-net lease" and the County agrees that the rents will be an absolute net return to the Authority free and clear of any expenses, charges or set-offs whatsoever.

Covenant to Budget and Appropriate

Pursuant to the Master Facility Lease, the County covenants to take such action as may be necessary to include Base Rental Payments and Additional Payments due in its annual budgets and to make the necessary annual appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform such covenants.

Insurance

The Leased Property will be insured to the extent set forth in the Master Facility Lease. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITY LEASE—Fire and Extended Coverage and Earthquake Insurance" and "- Rental Interruption or Use and Occupancy Insurance" herein. The Master Facility Lease requires the County to maintain or cause to be maintained insurance against risk of loss or damage by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, and during construction, earthquake insurance. The County has not covenanted to maintain earthquake insurance on the Leased Property except during the period of construction of the construction components of the Leased Property. The extended insurance coverage will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Leased Property, excluding the cost of excavations, of grading and filling, and of the land (except that such earthquake insurance may be subject to a deductible clause of not to exceed 10% of such replacement cost for any one loss and except that such other insurance may be subject to deductible clauses for any one loss of not to exceed $250,000), or, in the alternative, shall be in an amount and in a form sufficient (together with moneys in the Reserve Fund), in the event of total or partial loss, to enable all Bonds then outstanding to be redeemed. Pursuant to the Master Facility Lease the County may self-insure for such risks. The proceeds of all property insurance must be used to repair, reconstruct or replace the Leased Property or any portion thereof which is destroyed or damaged or to redeem Bonds. The County self-insures its real property up to $100,000 per event with respect to most hazards; the County maintains excess insurance coverage for claims over $100,000 and up to replacement value. See "APPENDIX A – THE COUNTY OF SAN MATEO—Self-Insurance Programs" herein. The County currently insures all its buildings against earthquake and flood damage through a $50 million property insurance policy, subject to a deductible equal to 5% of the value of each building affected, or a minimum of $250,000, whichever is greater.

The County will be required to maintain rental interruption or use and occupancy insurance to cover loss of rental income from or loss of the use of the Leased Property as a result of any of the hazards covered by its insurance coverage required by the Master Facility Lease in an amount equal to maximum annual Base Rental Payments due under the Master Facility Lease for any two-year period, except that such insurance may be subject to a deductible clause of not to exceed $1,000 and except that such insurance need be maintained as to the peril of earthquake only during construction.

Abatement

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

Cost Overruns; Construction Delays. With respect to any component of the Leased Property, the County is not obligated to commence Base Rental Payments with respect to such components until the property is delivered to the County for use. There can be no assurance that the construction components of the Leased Property will be substantially completed within the estimated budget or by the expected completion dates. Pursuant to the Trust Agreement, Additional Bonds can be issued upon compliance with certain conditions to pay the costs of completing such components, but there is no assurance that the County can cause the Authority to issue Additional Bonds. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE TRUST AGREEMENT—Additional Bonds" herein. If the County is unable to take possession of any construction component of the Leased Property, the County will be under no legal obligation to make Base Rental Payments with respect to such component. However, the Leased Property includes certain additional properties to be leased during the period of construction of such construction components. In the event of abatement, sources of money available to the Trustee to make payments to Bondowners would be limited to amounts in certain accounts established by the Trust Agreement (including the Reserve Fund and, to a limited extent, the Acquisition and Construction Fund), and with respect to the construction components of the Leased Property, builders' all risk, casualty and liability insurance and payment and performance bonds required pursuant to the construction contracts, and amounts, if any, paid by contractors as liquidated damages pursuant to the construction contracts. These sources may not provide sufficient funds to cover payments to Bondowners in full.

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

Default and Remedies

Upon an Event of Default described below, the County will be deemed to be in default under the Master Facility Lease and the Authority (or the Trustee as assignee of the Authority) may exercise any and all remedies available pursuant to law or granted pursuant to the Master Facility Lease. Upon any such default, including a failure to pay Base Rental Payments, the Trustee as assignee of the Authority may either (1) terminate the Master Facility Lease and recover certain damages or (2) continue to collect rent from the County on an annual basis by seeking a separate judgment each year for that year's defaulted Base Rental Payments and/or reenter the Leased Property and relet it. **In the event of default, there is no remedy of the acceleration of the total Base Rental Payments due over the term of the Master Facility Lease, and the Trustee is not empowered to sell a fee simple interest in the Leased Property and use the proceeds of such sale to prepay the Bonds or pay debt service thereon.**

Events of Default under the Master Facility Lease include (i) the failure of the County to pay any rental payable under the Master Facility Lease when the same becomes due and payable, (ii) the failure of the County to keep, observe or perform any term, covenant or condition of the Master Facility Lease to be kept or performed by the County after notice and the elapse of a 30-day grace period and (iii) the bankruptcy or insolvency of the County.

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

RISK FACTORS

The following factors, which represent material risk factors that have been identified at this time, should be considered along with all other information in this Official Statement by potential investors in evaluating the 2001 Bonds. There can be no assurance made that other risk factors will not become evident at any future time.

Base Rental Payments Not County Debt

THE COUNTY HAS NOT PLEDGED THE FULL FAITH AND CREDIT OF THE COUNTY, THE STATE OR ANY AGENCY OR DEPARTMENT THEREOF TO THE PAYMENT OF THE BASE RENTAL PAYMENTS OR ANY OTHER PAYMENTS DUE UNDER THE MASTER FACILITY LEASE. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other municipal services before making Base Rental Payments and other payments due under the Master Facility Lease. The same result could occur if, because of State Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues.

Abatement Risk

There can be no assurance that the construction components of the Leased Property will be substantially completed within the estimated budget or by the expected completion dates. If the County is unable to take possession of any component of the Leased Property, the County will be under no legal obligation to make Base Rental Payments with respect to such component. However, the County has leased certain additional property pursuant to the Master Facility until final completion of all construction components of the Leased Property. See "THE LEASED PROPERTY—Release of Certain Property" herein. In addition, during any period in which, by reason of material damage or destruction, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Master Facility Lease with respect to the Leased Property will be abated proportionately, and the County waives any and all rights to terminate the Master Facility Lease by virtue of any such interference and the Master Facility Lease shall continue in full force and effect. See "BASE RENTAL PAYMENTS—Abatement" herein.

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Master Facility Lease and the Trustee is not empowered to sell a fee simple interest in the Leased Property and use the proceeds of such sale to prepay the Bonds or pay debt service thereon. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest as described below.

Limitation on Remedies

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

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

In addition to the limitations on remedies contained in the Master Facility Lease and the Trust Agreement, the rights and remedies provided in the Trust Agreement and the Master Facility Lease may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the County were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited or severely restricted from taking any steps to enforce their rights under the Master Facility Lease and from taking any steps to collect amounts due from the County under the Master Facility Lease.

Risk of Earthquake

There are several earthquake faults in the greater San Francisco Bay Area that potentially could result in damage to buildings, roads, bridges, and property within the County in the event of an earthquake. Past experiences, including the 1989 Loma Prieta earthquake, have resulted in minimal damage to the infrastructure and property in the County. Earthquake faults that could affect the County include the San Andreas Fault within portions of the County.

The Master Facility Lease does not require the County to maintain insurance on the Leased Property against certain risks such as earthquakes except during the period of construction of the construction components of the Leased Property. See "SECURITY FOR THE 2001 BONDS – Insurance."

Hazardous Substances

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

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the State Constitution

Section 1(a) of Article XIIIA of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIIIA), to be collected by counties and apportioned according to law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures which further amended Article XIIIA. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the full cash value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIIIA. This amendment could serve to reduce the property tax revenues of the County. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIIIA to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIIIA has also been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster. See "APPENDIX A – THE COUNTY OF SAN MATEO—Assessed Valuations" herein.

Article XIIIB of the State Constitution

Article XIIIB of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The "base year" for establishing this appropriations limit is the 1978-79 fiscal year, and the limit is adjusted annually to reflect changes in population, consumer prices and certain increases or decreases in the cost of services provided by these public agencies.

Appropriations of an entity of local government subject to Article XIIIB generally include authorizations to expend during a fiscal year the proceeds of taxes levied by or for the entity and the proceeds of State subventions, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues, most State subventions and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity) and (2) the investment of tax revenues. Article XIIIB provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIIIB does not limit the appropriation of moneys to pay debt service or indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose. Furthermore, in 1990, Article XIIIB was amended to exclude from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature" from proceeds of taxes. The Legislature has defined "qualified capital outlay project" to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds $100,000. As a result of this amendment, the appropriations to pay the lease payments on the County's long-term general fund lease obligations (including the Master Facility Lease) are generally excluded from the County's appropriations limit.

The County's appropriation limit for the fiscal year ended June 30, 2000 was $272,694,649 million, for which expenditures subject to appropriation limitation were $161,851,102 million.

Articles XIIIC and XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax which the County imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996. The County believes that no existing County imposed taxes deposited into its General Fund will be affected by the voter approval requirements of Proposition 218. The voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. The County believes that it has no fees and assessments to which Proposition 218 could apply.

Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund. If such repeal or reduction occurs, the County's operations could be adversely affected.

Statutory Spending Limitations

A statutory initiative ("Proposition 62") was adopted by the voters voting in the State at the November 4, 1986 General Election which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (3) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (4) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIIIA, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after March 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino ("Guardino")*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address the question of whether or not it should be applied retroactively.

Disapproving a December 15, 1997 holding in *McBrearty v. City of Brawley* in which the State Court of Appeals concluded that the three-year statute of limitations applicable to taxes subject to Proposition 62 requirements ran from the date of the *Guardino* decision, the California Supreme Court, on June 4, 2001 in *Howard Jarvis Taxpayers Association v. City of La Habra*, held that a local governmental entity' continued imposition of and collection of a tax without voter approval was an ongoing or continuous violation of Proposition 62 and that the validity of a tax measure may be challenged within the statutory period after any collection of the tax, regardless of whether more than three years had passed since the tax measure was adopted.

As a result of this ruling, absent the application of a different statute of limitations, a tax originally imposed in violation of Proposition 62 requirements is potentially subject to court challenge within three years of its collection. The County has one tax a portion of which may be subject to Proposition 62, a transient occupancy tax which was increased in 1990. The increased tax rate enacted in 1990 generates approximately $163,000 per year. [On August 7, 2001 the County Board of Supervisors approved the submission of the transient occupancy tax to a vote of the electorate on the November 2001 ballot.]

Proposition 62 provides that if a jurisdiction imposes a tax in violation of its requirements, the portion of the one percent general *ad valorem* property tax levy allocated to that jurisdiction is reduced by $1 for every $1 in revenue attributable to the improperly imposed tax for each year that such tax is collected. The practical applicability of this provision has not been determined. Future litigation and legislation may resolve some or all of the issues raised by the *Guardino* and *City of La Habra* decisions.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Proposition 62 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting the County's revenues or the County's ability to expend revenues.

THE AUTHORITY

The San Mateo County Joint Powers Financing Authority was formed pursuant to the provisions of Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State and a Joint Exercise of Powers Agreement, dated May 15, 1993 (the "Joint Powers Agreement") by and between the County and the Community Development Commission. The Authority was formed to assist the County in the financing of public capital improvements. The Authority presently acts as lessor for the Leased Property, as well as the issuer in other County financings. The Authority functions as an independent entity and its policies are determined by a five-member board appointed by the County Board of Supervisors. The Authority has no employees and all staff work is done by the County staff or by consultants to the Authority.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the 2001 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2001 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

The difference (if any) between the issue price of any maturity of the 2001 Bonds and the amount to be paid at maturity of such 2001 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2001 Bonds) constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2001 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2001 Bonds is the first price at which a substantial amount of such maturity of the 2001 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 2001 Bonds accrues daily over the term to maturity of such 2001 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 2001 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2001 Bonds. Owners of the 2001 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2001 Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2001 Bonds in the original offering to the public at the first price at which a substantial amount of such 2001 Bonds is sold to the public.

2001 Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having an amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest of which is excluded from gross income for federal income tax purposes. However, the amount of tax exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of an amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the 2001 Bonds. The Authority and the County have covenanted to comply with certain restrictions designed to insure that interest on the 2001 Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the 2001 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2001 Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2001 Bonds may adversely affect the value of, or the tax status of interest on, the 2001 Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the 2001 Bonds. Prospective Beneficial Owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Certain requirements and procedures contained or referred to in the Master Facility Lease, the Trust Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2001 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any 2001 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the 2001 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 interest on, the 2001 Bonds may otherwise affect a beneficial owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of such owner or such owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

LEGAL MATTERS

The validity of the 2001 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriter by Sidley Austin

Brown & Wood LLP, San Francisco, California. Certain legal matters will be passed upon for the Authority and for the County by County Counsel.

LITIGATION

No litigation is pending or threatened concerning the validity of the 2001 Bonds, the Master Site Lease, the Master Facility Lease or the Trust Agreement, and an opinion of County Counsel to that effect will be furnished to the purchaser at the time of the original delivery of the 2001 Bonds. The Authority is not aware of any litigation pending or threatened questioning the political existence of the Authority or the County or contesting the County's ability to appropriate or make Base Rental Payments. There are a number of lawsuits and claims pending against the County. In the opinion of County Counsel, the aggregate amount of liability that the County might incur as a result of adverse decisions in such cases would be covered under the County's self-insurance program or its excess insurance coverage.

RATINGS

Moody's and Standard & Poor's are expected to assign the 2001 Bonds the ratings of ["Aaa" and "AAA," respectively, with the understanding that upon delivery of the 2001 Bonds, the Policy will be issued by Financial Security]. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the 2001 Bonds. There is no assurance that such ratings will continue for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely by the rating agencies, or either of them, if in their, or its, judgment, circumstances so warrant. The Authority, the County and the Trustee undertake no responsibility either to notify the Owners of the 2001 Bonds of any revision or withdrawal of the ratings or to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2001 Bonds.

UNDERWRITING

The 2001 Bonds are being purchased for reoffering by UBS PaineWebber Inc. (the "Underwriter"). The Underwriter has agreed to purchase the 2001 Bonds at a purchase price of $__________ (representing the aggregate principal amount of the 2001 Bonds less an Underwriter's discount of $__________ and a net original issue discount of $__________) plus accrued interest. The Underwriter will purchase all of the 2001 Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the 2001 Bonds.

EXECUTION AND DELIVERY

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

SAN MATEO COUNTY JOINT POWERS
FINANCING AUTHORITY

By:________________________________
Lee Mitchell
President

SAN MATEO COUNTY

By: ________________________________
Paul T. Scannell
Assistant County Manager

APPENDIX A

THE COUNTY OF SAN MATEO

General

The County was established on April 19, 1856. Located on the San Francisco Peninsula, coastal mountains run north and south through the County, dividing the lightly-populated western part from the heavily-populated eastern corridor between San Francisco and Santa Clara/Silicon Valley. The County covers 447 square miles and contains 20 incorporated cities and the San Francisco International Airport. In terms of population, it is the 13th largest county in the State, with 707,161 persons according to the 2000 U.S. Census. The county seat is located in Redwood City.

As of January 1, 2001, approximately 61,275 people lived in the unincorporated area of the County. The Board and County departments provide municipal services for that area of the County including: law enforcement, fire prevention, land use and zoning, building permits and local road building and maintenance.

Police services are also provided by the County on a contract basis to the incorporated cities of Woodside and Portola Valley, both of which are within the County's boundaries. The County also provides criminal investigation services to the City of East Palo Alto, as well as operates a crime suppression unit.

County Government

The County employs a charter type of government and is governed by a five-member Board of Supervisors (the "Board") who serve four-year terms on a full-time basis. Each Supervisor must reside in one of the five districts of the County, but is elected at large in non-partisan elections. The Board appoints the County Manager to administer County affairs. The County Manager appoints the heads of six agencies/departments. The Board appoints the County Counsel. Elected officials include the Assessor - County Clerk - Recorder, Controller, Coroner, District Attorney, Sheriff and Treasurer-Tax Collector.

Brief biographies of the members of the Board, the County Manager, Treasurer-Tax Collector and Controller follow:

Mark Church was elected to the Board in 2000 and assumed office on January 8, 2001. He previously served as City Councilman (1995-99) and Mayor (1997-98) of the City of Millbrae. Supervisor Church is a third generation Californian born in Redwood City and a San Mateo County native. He received his Bachelors degree in Business Administration (magna cum laude) from the University of the Pacific in 1973 and his Juris Doctor degree from McGeorge School of Law in 1976. He was admitted to the California Bar in 1976 and has been in private practice for over twenty years. As a member of the Board, Supervisor Church represents the County on several committees, including the Airport Community Roundtable, Association of Bay Area Governments (ABAG), the California State Association of Counties (CSAC), the Transportation Authority, the Child Care Partnership Council and the Library Joint Powers Authority. In April 2001, Supervisor Church was appointed by Governor Gray Davis to serve on the State Seismic Safety Commission.

Jerry Hill was elected to the Board in 1998 and assumed office on January 4, 1999. He previously served on the San Mateo City Council from 1991 to 1998 where he held the office of Mayor in 1994. He is a business owner and licensed contractor who holds a Bachelor of Arts degree from the University of California, Berkeley and a Lifetime Secondary Teaching Credential from San Francisco State University. Supervisor Hill has been active in numerous County organizations and is Vice Chair of SamTrans, a board member of the Bay Area Air Quality Management District, Peninsula Policy Partnership, San Mateo County Homeless Continuum of Care Board and an alternate on the Bay Conservation and Development Commission.

Richard Gordon was elected to the Board in April 1997. He is a third generation Californian and currently resides in an unincorporated area of Menlo Park. He received his Bachelor of Arts degree in 1970 from the University of Southern California, where he majored in Sociology. Before receiving his Masters of Divinity from Garrett Seminary at Northwestern University in 1973, he served as a youth minister. Prior to his election to the Board, Supervisor Gordon served as the Executive Director of Youth and Family Assistance, a Redwood City-based nonprofit corporation dedicated to assisting youth and their families. As a member of the Board, Supervisor Gordon serves on the Bay Conservation and Development Commission, the Criminal Justice Council, the Emergency Services Council and the AIDS Program Community Advisory Board. He is the liaison to the San Mateo Youth Commission and the Mental Health Advisory Board.

Rose Jacobs Gibson was appointed to the San Mateo County Board of Supervisors in 1999 and elected to a four-year term in November 2000. Supervisor Jacobs Gibson represents the 4th District, which includes the communities of Redwood City, Menlo Park, East Palo Alto and the unincorporated area of North Fair Oaks. Supervisor Jacobs Gibson served on the East Palo Alto City Council from 1992-1999, including terms as Mayor in 1995 and 1996. She played a major role in turning around the once high crime rate city into a "City on the Move." She is the founder of a community-based, non-profit organization that provided services to women and their families, placing a special emphasis on support for single-women raising sons. Supervisor Jacobs Gibson represents the County on the Association of Bay Area Governments, the City/County Association of Governments, the Commission on the Status of Women, the Criminal Justice Council, the Juvenile Justice and Delinquency Prevention Commission, the Peninsula Partnership Council, the San Francisquito Creek Joint Powers Authority and the San Mateo County Health Center Board of Directors. Supervisor Jacobs Gibson, 54, is a single mother, grandmother and resident of the City of East Palo Alto.

Michael D. Nevin was elected to the Board in June 1992, and took office in January 1993. He was re-elected to a four-year term, commencing January 1, 2001. Supervisor Nevin served as President of the Board in 1997 and is serving again for the year 2001. Involved in regional issues, Supervisor Nevin is the County's representative to the Board of Directors of the following agencies: Peninsula Corridor Joint Powers Board (1995 and 1998 Chair), San Mateo County Transit District (1995, 1998 and 2000 Chair), Metropolitan Transportation Commission (MTC), and Health Plan of San Mateo (2000 Chair). Supervisor Nevin also serves on the Judicial Council of California's Probation Services Task Force and the California Identification System (Cal ID). Prior to joining the Board, Mr. Nevin spent 27 years in the San Francisco Police Department and held the rank of Inspector. He was elected to the City Council of Daly City in 1982 and served as Mayor in 1984 and 1989.

John L. Maltbie has served as County Manager since 1989. Mr. Maltbie has been involved in city/county management throughout the Central/Northern California area encompassing the fields of fiscal administration, personnel administration, community development, employee relations, policy planning and implementation and data processing. He graduated with both a Bachelor of Arts degree and a Master of Arts (Political Science) degree with a concentration in Public Administration from San Jose State University.

Lee Buffington has served as County Treasurer-Tax Collector since 1985. Mr. Buffington received a Bachelor of Arts degree and Master of Business Administration degree from the University of California at Berkeley. He was appointed to the position of County Treasurer-Tax Collector in October 1985, was elected to the position in June 1986 and re-elected in June 1990, June 1994 and June 1998. Mr. Buffington's prior experience includes the positions of Operations Director and Vice President of the Loomis Corporation; Assistant Director of the Washington State Highway Department; Deputy Director and Director of the Office of Program Planning and Fiscal Management for the State of Washington; Executive Director, California Roundtable; and Financial Consultant.

Tom Huening assumed the office of County Controller on January 4, 1999. Prior to his election to the office of Controller, Mr. Huening served on the Board from 1987 to 1999. He is the President/Owner of Huening Investment Company. Mr. Huening received a Bachelor of Arts degree from De Paul University and a Master of Business Administration degree from Pepperdine University. He is licensed to practice law in the State. He is a retired airline pilot. Mr. Huening is actively involved in numerous County organizations.

Services

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

Health-Related Services. Under State law, the County is required to administer State and federal health programs, and to provide for a portion of their costs with local revenues, such as sales and property taxes.

There are five divisions of the County's Department of Health Services: Aging and Adult Services, Hospital and Clinics, Mental Health Services, Business Administration and Public Health/Environmental Health Services. Correctional Health services are provided by the division of Hospital and Clinics, and AIDS/HIV treatment services are administered through the Public Health/Environmental Health Services division. Emergency Medical Services and Financial Services are administered through the Business Administration division. A separate public authority which administers in-house supportive services ("IHSS"), functions as an independent entity with the Board of Supervisors acting as its governing body.

The County General Fund cost of all health services programs (net of State and federal reimbursements and other revenue) is budgeted at $37,283,010 for fiscal year 2000-01. The Board approved $320,688,352 in total expenditures for all health services programs for fiscal year 2000-01. The County Department of Health Services provides services to all County residents regardless of their ability to pay. The Hospital and Clinics division provides a full array of emergency, in-patient, psychiatric and specialty health services, skilled nursing and gero-psychiatric services. Community oriented primary care clinic services are offered at six sites: in Redwood City at the Fair Oaks Family Health Center, in Daly City at the North County Health Center, in Menlo Park at the Willow Clinic, in San Mateo at the 39th Avenue Clinic, in East Menlo Park at the Belle Haven Clinic and in South San Francisco at the South San Francisco Clinic. The Mental Health Services division operates five regional mental health clinics.

The total operating budget for the County Health Center is $96,646,958 for fiscal year 2000-01, an increase of $2,704,797 over fiscal year 1999-00. The County Health Center budget will depend upon the Medi-Cal program for $35 million or 36% of its total revenues in fiscal year 2000-01.

The County Health Center (see "THE LEASED PROPERTY - County Health Center" herein) was financed with the proceeds of the 1994 Bonds, as well as a portion of certain of the subsequent series of the Bonds. The County anticipates receiving approximately 42% of the debt service costs of (i) the unrefunded 1994 Bonds, (ii) approximately $4.56 million principal amount of the unrefunded 1995 Bonds, (iii) approximately $33.70 million principal amount of the 1997 Bonds, and (iv) a portion of the 1999 Bonds, under the cost reimbursement provisions of Medicare and Section 14085.5 of the Welfare and Institutions Code of the State. Section 14085.5 of the Welfare and Institutions Code of the State permits health facilities such as the County Health Center, which serve a disproportionate share of Medi-Cal patients, to receive reimbursement for a portion of the costs of qualified capital projects and directs the State to make supplemental reimbursement payments based on eligible costs and the number of Medi-Cal patients served to those health facilities which meet the statutory requirements. Pursuant to Section 14085.5 of the Welfare and Institutions Code of the State, the County has pledged that the payments made by the State to the County under and pursuant to Section 14085.5 of the Welfare and Institutions Code shall be used solely for the payment of such Base Rental Payments and Additional Payments with respect to the related Bonds. However, the obligation of the County to make Base Rental Payments related to the County Health Center, when due, will constitute a General Fund obligation of the County. There can be no assurance that future regulatory or legislative policy changes will not adversely affect or eliminate supplemental reimbursements paid to the County under Section 14085.5 of the Welfare and Institutions Code of the State. In any such event, the County would be required to appropriate additional amounts from its General Fund.

Under State law, the County also has the responsibility to provide and help pay for community mental health and treatment programs. The Mental Health Services division provides a broad range of mental health services to mentally ill children and adults in the County. Services are structured within a community-based system of care aimed at maintaining the seriously mentally ill in the least restrictive environment clinically appropriate. Services are provided by division staff, community agencies and contractors. Mental Health contracts with Telecare Corporation, which operates the 120-bed Cordilleras Mental Health Center, a locked skilled nursing facility in Redwood City.

The Aging and Adult Services division of the County Department of Health Services provides a variety of services to at-risk adults who have physical and/or mental disabilities and includes the Adult Protective Services for the County. Additional services include the Public Guardian program, Senior Center Services, in-home support services, case management, representative payee, services for veterans and their families and other social service programs aimed at keeping people in the community and out of institutions.

The Public Health/Environmental Health Services division of the County Department of Health Services is responsible for Environmental Health Services, which has two major sections providing services County-wide. The Consumer Health section provides restaurant, housing and swimming pool inspection. The Hazardous Management section inspects and certifies underground tanks, hazardous material generators and toxic spill response and coordination.

The Public Health/Environmental Health Services division is also responsible for Public Health Services including: Vital Statistics; Health Education; AIDS Program; Public Health Nursing; Maternal, Child and Adolescent Health; California Children's Services and Nutrition Services. Public Health Services also oversees the Pre-Natal to Three program which promotes the health/growth and development of children on Medi-Cal at the earliest juncture by enhancing the parental relationship and facilitating linkages to health and support services. Public health laboratory services, WIC, Well Baby Clinics, testing and treatment of tuberculosis, HIV/AIDS and testing and clinic treatment for other sexually transmitted diseases are also provided by Public Health Services.

Meal services to the hospital and all correctional facilities (two jails, juvenile hall and the honor camps as well as the Meals on Wheels Program) are provided by Food and Nutrition Services. This unit provides 7,500 meals each day for clients in San Mateo County.

Emergency Medical Services are administered through the Business Administration division of the County Department of Health Services and provided under a public-private partnership between 17 fire departments and a contract ambulance provider. This system allows for first response by paramedic staff within 6:59 minutes 95% of the time and emergency ambulance response time of 12:59 minutes 94% of the time. On average, the ambulance company transports 23,000 patients a year and responds to 34,800 calls. The County also provides Countywide paramedical training and a certification program.

The Business Administration division also provides overall organizational and program direction, budgetary and financial management, as well as policy development to support all County Department of Health Services divisions.

Human Services. There are eleven budget units of the County's Human Services Agency: Central Administration, Office of Housing, County Programs Unit, Eligibility Determination, Welfare Aid Payments, Employment Services, Vocational Rehabilitation Services, Child Care Services, Alcohol and Drug Services, Children and Family Services and Out-of-Home Placement. In fiscal year 2000-01, the Board approved $156,770,036 in expenditures for all human services programs.

The County General Fund cost of all human services programs (net of state and federal reimbursements and other revenue) is $18,205,292.

The Office of Housing assists low and moderate income residents with housing assistance, financing and community development through the administration of the Community Development Block Grant ("CDBG"), Housing and Rehabilitation Program, HOME Program and the Homeownership Program for first time homebuyers. The HOME Program and the Homeownership Program also coordinate the delivery of County and community services through a network of agencies funded to provide emergency and transitional housing, battered women services, food, clothing, transportation and case management in the County. The Office of Housing budget for 2000-01 is $18,869,650 of which $14,213,466 is reimbursed through federal revenue and $2,263,430 comes from loan repayments. The County General Fund cost is $1,392,754. Although the Housing Authority is a separate legal entity and its $40 million budget is not a part of the County budget, the Board of Supervisors, serving as the Housing Authority Board of Commissioners as required by federal law, administers the Section 8 Housing Program, Public Housing Conventional Program, Shelter Plus Care Program and the Family Self-Sufficiency Program.

The Eligibility Determination unit processes applications and determines eligibility for federal and State entitlement programs such as CalWORKs (California's version of the federal TANF Program), AFDC Foster Care, Food Stamps and Refugee programs. The 2000-01 budget for administering the State and federal entitlement programs is $30,086,919 and the aid payments budgeted in Welfare Aid Payments is $17,822,756; the County General Fund share is $1,924,071 for administration and $433,947 for aid payments. State law also requires the County to provide financial aid "General Assistance" or "GA" to needy persons when they are not supported by other means and not eligible for the State and federal programs. The 2000-01 budget for the County General Assistance Program in $4,139,703 of which $720,699 is reimbursed by the federal government through the Interim Aid Assistance Program for individuals who are eligible for Social Security Insurance.

Employment Services assists people in achieving self-sufficiency through employment, job retention, career mobility and self-reliance. The 2000-01 budget totals $9,382,206 with a cost to the County of $379,196.

Employment services provided by Vocational Rehabilitation to residents who are mentally ill, receiving GA or have other mental/physical disabilities help them attain their maximum potential for self-sufficiency through counseling, case management, assessment, vocational training and supported employment. The County provides vocational evaluation (situational assessment), work adjustment and work experience to these clients by creating a business environment called the WorkCenter where clients are paid a wage to provide a range of services to public entities and private businesses. Income from the WorkCenter offsets the majority of client wages and operating costs. The 2000-01 operating budget for Vocational Rehabilitation is $3,131,796 and includes a County contribution of $473,394.

With the change in the welfare reform laws, a new budget unit was created to capture child care costs. The mission of this unit is to develop and administer a child care delivery system that provides a range of child care options which meet the health, safety and developmental needs of the child and family, maximizes available resources for such care and assists with the transition to self-sufficiency. The total budget for fiscal year 2000-01 is $10,534,717. Federal and State funding provides $10,032,736.

Alcohol and Drug services are provided through multidisciplinary prevention and early intervention services to at-risk youth and families which include a prenatal substance abuse team, treatment for drug-exposed infants and their families, prenatal services for high risk mothers and collaborative school-based prevention and early intervention projects.

The Children and Family Services unit investigates all allegations of child abuse and neglect and intervenes to protect children from additional harm and to resolve conditions that led to abuse and neglect. Child Welfare Services may maintain children in their own homes or in out-of-home care if necessary to ensure their safety and protection. The 2000-01 operating budget for Children and Family Services is $23,836,209 with a County costs of $4,454,193.

Foster care payments and costs associated with placement of children are captured in the Out-of-Home Placement budget. The total budget for fiscal year 2000-01 is $20,476,166 with a cost to the County of $2,627,728.

The Central Administration division provides management direction and coordination of the other ten units. The Central Administration division also provides records management, information systems design and support services, fiscal and budget development and monitoring services, personnel and payroll services, staff development/training and welfare fraud investigations. The Central Administration budget for 2000-01 is $16,496,426 of which $12,688,763 is reimbursed from the other units and $976,679 is reimbursed from the State and federal government for claimable staff development costs.

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

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

Justice Services. The County criminal justice system is supported primarily by local County revenues and State funding. The Sheriff's Department provides County-wide law enforcement services to local police departments on request, including training of police officers employed by cities, narcotics and vice enforcement, investigation of arson, homicide and consumer fraud, and assistance through the crime laboratory in locating and analyzing evidence from crime scenes.

For fiscal year 2000-01, the average daily inmate population of all the County's jails, which consists of the Maguire Correctional Facility, the Men's Correctional Center, the Women's Correctional Center and the Women's Honor Camp was 1,105 inmates. The County also operates work furlough programs and an electronic monitoring program.

While the Municipal and Superior Courts are an independent branch of government, State law requires the County to provide support services such as bailiffs, interpreters, court clerks and probation services, as well as courthouse facilities. As of January 1, 1989, with the passage of the Trial Court Funding Act of 1988, court operations are financed from a combination of State trial court funding and local revenues. For a further discussion of the Trial Court Funding Act, as well as other more recent legislation relating to trial court funding, see "COUNTY FINANCIAL INFORMATION – Other Revenues - Trial Court Funding" herein.

General Government. The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes and distribution of taxes to cities, redevelopment agencies, special districts, local school districts and the County.

A second major government service is the County's voter registration and election system which serves nearly 338,608 registered voters and, in County-wide elections, provides 522 polling places throughout the County.

Parks and Recreation. The County operates a network of seventeen parks and recreational facilities which serve over 2.2 million park visitors annually. The County park system encompasses 14,119 acres and contains reservable buildings, campgrounds and shelters.

County Employment

As of May 31, 2001, the number of permanent employment positions was 4827. The following table sets forth the total number of County employment positions for each of the last ten years:

Table 1
COUNTY OF SAN MATEO
Employment Positions[(1)]

1992	4,762
1993	4,596
1994	4,716
1995	4,760
1996	4,693
1997	4,767
1998	4,937
1999	5,081
2000	5,180
2001 (as of May 31, 2001)	4,827[(2)]

(1) As of December 31st except as noted.
(2) Excludes Court employees.
Source: County of San Mateo.

Employee Relations and Collective Bargaining

County employees are represented by 24 bargaining units of nine labor organizations, the principal ones being the American Federation of State, County and Municipal Employees ("AFSCME") Local 829 and Service Employees International Union ("SEIU") Local 715 representing approximately 62% of all County employees in a variety of classifications.

There has never been any major work stoppage by County employees. About 87% of all County employees are covered under negotiated agreements. Labor contracts are in place through November 9, 2002 for the majority of County employees. Labor contracts are in place for registered nurses through March 29, 2003 for Deputy Sheriffs through December 31, 2006; and for physicians through August 16, 2003. Unionized County employees and their appropriate bargaining agents are shown in the following table.

Table 2
COUNTY OF SAN MATEO
Employee Bargaining Representation
and Number of Employees

Bargaining Agents	Number of Employees[1]
AFSCME	1,548
California Nurses Association	360
Deputy Sheriffs Association	426
SEIU	1,290
Building Construction and Trades Council	100
Union of American Physicians and Dentists	76
San Mateo County Council of Engineers	28
Probation and Detention Association	257
Organization of Sheriff's Sergeants	49
Non-represented employees:	
Unrepresented Attorneys	91
Confidential	88
Management	514

(1) Excludes Court employees.
Source: San Mateo County.

Retirement Program

The San Mateo County Employees' Retirement Association (the "Association") is a cost-sharing multiple-employer defined benefit pension plan established to provide pension benefits for substantially all employees of the County. The Association is composed of three subplans which cover members classified as general, safety or probation. The administration, investment and disbursement of the Association's funds are under the exclusive control of the Retirement Board, which is composed of nine individuals, four appointed by the County Board of Supervisors, four elected by Association participants, and the County Treasurer. The Association's net assets available for Association benefits at market value totaled $1,381,096,428 at June 30, 2000 (the most recent date such audited information is available), including accumulated members' contributions of $190,684,405 as of June 30, 2000. The County's 1999-00 payroll for all covered employees was approximately $259,075,000. As of June 30, 2000 (the most recent date such information is available) the unfunded actuarial accrued liability ("UAAL") was approximately $20,129,000. The UAAL is being amortized over a period of 11½ years beginning July 1, 2000. As of June 30, 2000, the Association had 8,438 members in active, deferred, retired or survivor status. As of May 31, 2001, the assets of the Retirement Fund are being managed on a fully discretionary basis by Barclays Global Investors, Bank of Ireland Asset Management, Deutsche Asset Management, Inc. and INVESCO Realty Advisors.

Impact of the *Ventura* Decision

On August 14, 1997, the Supreme Court of the State of California issued a decision in the manner of *Ventura County Deputy Sheriff's Association v. Board of Retirement* which held that compensation paid in cash, even if not earned by all employees in the same grade or class, must be included in "compensation earnable" and "final compensation" on which an employee's pension is based. This California Supreme Court decision became final on October 1, 1997.

However, the *Ventura* decision provided ambiguous guidance on two critical issues: terminal pay and retroactivity. These issues will be decided as a result of the current lawsuit, *Teamsters Local 856 vs. Board of Retirement, San Mateo County*. Similar litigation is pending in other counties.

The Association retained an actuary to estimate the financial impact of a range of possible decisions in the *Teamsters Local 856* litigation. In the event that the *Teamsters Local 856* prevail, the Association estimates that the possible increase in the unfunded actuarial accrued liability ranges between $180.3 million and $264.9 million.

Self-Insurance Programs

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

The County carries excess property insurance coverage subject to a $100,000 deductible, as follows: up to a maximum replacement value of $517 million after the first $100,000 claimed per incident; earthquake and flood damage up to a maximum of $25 million subject to a deductible equal to 5% of the replacement value per location or $250,000, whichever is greater; general liability insurance up to $25 million per event after the first $250,000 claimed per incident; workers' compensation claims up to the maximum statutory limits after the first $275,000 claimed per incident; automobile liability up to a maximum of $25 million after the first $250,000 claimed per incident; and medical malpractice insurance up to $40 million after the first $10,000 claimed.

The activities related to such self-insurance programs are accounted for in trust funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2000 are reported in these funds. County officials believe that assets of the trust funds, together with funds to be provided in the future, will be adequate to meet all self-insured claims for property, general liability, unemployment, disability income, medical malpractice and workers' compensation claims as they come due. In case of a catastrophic event, however, no assurance can be given that such assets and funds will be adequate to meet all self-insured claims that will become payable by the County. Revenues of the trust funds are primarily provided by contributions from other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses.

County Debt Limit

In 1997, the County Board of Supervisors adopted an ordinance (the "Debt Limit Ordinance"), which provides that annually at the time of approving the County budget, the Board of Supervisors will establish the County debt limit for such fiscal year. Pursuant to the Debt Limit Ordinance, the debt limit is applicable to non-voter approved debt that is the obligation of the County. It does not include any voter approved debt or any debts of agencies, whether governed by the Board of Supervisors or not, other than the County. It also excludes any debt which is budgeted to be totally repaid from the current fiscal year budget. The Debt Limit Ordinance mandates that the annual debt limit shall not exceed the amount of debt which can be serviced by an amount not to exceed four percent (4%) of the average annual County budget for the current and the preceding four fiscal years. The annual debt limit once established may be exceeded only by a four-fifths (4/5) vote of the Board of Supervisors and upon a finding that such action is necessary in the best interests of the County and its citizens. The Debt Limit Ordinance became effective July 3, 1997. Pursuant to the Debt Limit Ordinance, the County debt service limit for fiscal year 2001-02 is $34,411,317. As of June 30, 2001, the maximum annual debt service on the indebtedness of the County subject to the debt limit is $17,735,835.

COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

The County has experienced moderate but consistent population growth since 1970. The United States Census Bureau reports that between 1980 and 1990 the County grew by approximately 62,000 residents, or 10.6%, and in 2000 the population was 707,161 which represents a 8.9% increase over 1990. Over the 30 years since 1970, the County's average annual growth rate has been 1%. The following table shows population data for the County, its six largest cities, and the State, as reported for the four most recent United States Census periods and the most recent State Department of Finance estimates. Between 1970 and 1980 Daly City was the fastest growing of the six largest cities in the County, adding 11,505 residents during this period. Between 1980 and 1990 Redwood City was the fastest growing city, with a growth rate of over 20% and between 1990 and 2000 Half Moon Bay was the fastest growing city with a growth rate of over 33%.

Table 3
Historical Population of San Mateo County, Six Largest Cities, and State of California

	1970	1980	1990	1997	1998	1999	2000	2001
San Mateo County	557,361	587,329	649,623	701,100	715,382	722,762	707,161	720,100
Six Largest Cities:								
Daly City	66,922	78,427	92,311	101,300	103,374	104,186	103,621	105,400
San Mateo	78,991	77,640	85,486	92,200	93,630	94,084	92,482	93,900
Redwood City	55,686	54,951	66,072	73,200	75,228	76,554	75,402	76,700
South San Francisco	46,646	49,393	54,312	57,600	59,208	60,938	60,552	61,700
San Bruno	36,254	35,417	38,961	40,800	41,427	41,617	40,165	40,800
Pacifica	36,020	36,866	37,670	39,650	40,381	40,719	38,390	39,050
State of California	19,953,134	24,015,000	29,760,021	32,609,000	33,252,000	33,766,000	33,871,648	34,818,000

Source: 1970, 1980, 1990 and 2000 U.S. Census; State Department of Finance estimates as of January 1 for years 1996, 1997, 1998, 1999 and 2001.

Employment

As shown in the following table, wage and salary employment increased by approximately 14,000 jobs in 1999 compared to the previous year, an increase of approximately 4.0%. The service sector employs the largest number of people in the County, providing 120,500 jobs, a third of all jobs in 1999. Retail trade is the next largest sector, employing 61,200 in 1999. Transportation and public utilities and manufacturing are also large employment sectors providing approximately 42,200 and 37,600 jobs, respectively, in 1999.

Table 4
ESTIMATED NUMBER OF WAGE AND SALARY WORKERS BY INDUSTRY
SAN MATEO COUNTY
ANNUAL AVERAGES 1995-1999[1]
(Amounts in Thousands)

	1995	1996	1997	1998	1999
Total Agriculture	2.6	2.7	2.9	2.9	2.9
Total Nonagriculture Employment	303.1	316.5	330.7	342.4	356.4
Mining & Construction	11.6	13.4	15.5	16.8	17.9
Manufacturing	32.6	35.3	36.7	37.6	37.6
Nondurable Goods	13.9	14.2	14.4	14.7	14.4
Durable Goods	18.8	21.1	22.3	20.7	21.2
Transportation & Public Utilities	37.7	37.6	38.8	40.5	42.2
Transportation	32.9	32.9	33.9	35.4	36.4
Communications & Public Utilities	4.8	4.7	4.9	5.2	5.7
Wholesale Trade	20.7	20.8	21.5	21.3	20.9
Retail Trade	53.0	54.2	55.4	58.1	61.2
Finance/Insurance/Real Estate	21.2	21.6	23.0	23.9	23.9
Services	94.4	102.5	109.9	112.8	120.5
Government	32.0	31.1	30.1	31.4	32.1
Federal	5.0	4.4	3.8	4.2	4.4
State & Local	27.0	26.7	26.3	27.2	27.7
Total All Industries	305.8	319.2	333.6	345.3	359.3

(1) Latest available information on County level.

Source: State of California, Employment Development Department, Annual Planning Information, San Mateo County.

The following table sets forth the fifteen largest employers in the County as of March 2000:

Table 5
COUNTY OF SAN MATEO
Fifteen Largest Employers
(Permanent Employment)

Employer	Nature of Business	Number of Employees
United Airlines	Airline	19,395
Oracle Corp.	Computer Products	10,000
County of San Mateo	Government	4,747
The Gap	Retail	2,178
American Airlines	Airline	2,170
Kaiser Permanente Medical Center	Health Care	1,986
Safeway, Inc.	Grocery Retailer	1,900
Siebel Systems Inc.	CRM Software	1,800
Franklin Templeton Investments	Investments	1,743
SRI International	Research and Consulting	1,700
Excite@Home	Broadband Internet Services	1,700
United States Postal Service	Mail Services	1,600
Genetech Inc.	Biotechnology	1,551
San Francisco International Airport	Airport	1,550
PE Biosystems	Systems Reagents and Contract Related Services	1,500

Source: San Francisco Business Times 2001 Book of Lists.

The unemployment rate in the County has consistently been among the lowest in the State and nation as illustrated in the following table. During the last ten years, the unemployment rate in the County was consistently lower than the Statewide rate.

Table 6
COUNTY OF SAN MATEO
Unemployment Rates

Year	San Mateo County	California	United States
1991	4.0%	7.7%	6.8%
1992	5.1	9.3	7.5
1993	5.0	9.4	6.9
1994	4.7	8.6	6.1
1995	4.2	7.8	5.6
1996	3.4	7.2	5.4
1997	2.7	6.3	4.9
1998	2.4	5.9	4.5
1999	2.0	5.2	4.2
2000	1.6	4.9	4.0

Source: State of California, Employment Development Department.

Personal Income

The following tables summarize the total EBI and the median household and per capita EBI for the County, the State and the nation for the years 1995 through 1999.

Table 7
Effective Buying Income
For Years 1995 Through 1999
(in thousands)

Year	San Mateo County	California	United States
1995	$14,285,215	$477,640,503	$3,964,285,118
1996	14,862,432	492,516,991	4,161,512,384
1997	16,207,690	524,439,600	4,399,998,035
1998	17,481,255	551,999,317	4,621,491,738
1999	18,721,334	590,376,663	4,877,786,658

Median Household Effective Buying Income
For Years 1995 Through 1999

Year	San Mateo County	California	United States
1995	$46,145	$34,533	$32,238
1996	47,876	35,216	33,482
1997	50,511	36,483	34,618
1998	52,452	37,091	35,377
1999	56,433	39,492	37,233

Source: Sales and Marketing Management Magazine "Survey of Buying Power."

The County's median household EBI has consistently been over 20% higher than those of the State and over 30% higher than those of the nation. The following tabulation shows the distribution of effective buying income by income groups for the County and the State. As shown in the table, the County has more households in the higher income groupings and fewer in the lower income classes than the State.

Table 8
COUNTY OF SAN MATEO
Household Effective Buying Income
Income Groupings For 1999

Income Class	San Mateo County	California
Under $20,000	12.5%	23.6%
$20,000 - $34,999	14.6	20.7
$35,000 - $49,999	15.8	17.4
$50,000 – Over	57.1	38.3
Total	100.0%	100.0%

Source: Sales and Marketing Management Magazine "Survey of Buying Power."

Commercial Activity

The following summary shows the annual volume of taxable sales within the County since 1995. During 1999, retail sales totaled $7.5 billion and total taxable sales exceeded $12 billion, an increase of 13.7% in retail sales and an increase of 9.9% in total taxable sales over 1998.

Table 9
COUNTY OF SAN MATEO
TAXABLE TRANSACTIONS
For Years 1995 Through 1999(1)
(in thousands)

	1995	1996	1997	1998	1999
Apparel Stores	$ 235,642	$ 262,047	$ 281,475	$ 299,827	$ 310,526
General Merchandise Stores	1,022,653	1,015,488	1,073,307	1,120,778	1,177,150
Specialty Stores	915,398	1,066,662	1,073,828	1,049,819	1,295,940
Food Stores	307,827	323,688	347,240	353,091	374,116
Packaged Liquor Stores	41,931	44,876	50,755	54,627	61,313
Eating and Drinking Places	660,637	715,192	772,148	808,464	886,679
Home Furnishings and Appliances	293,984	329,118	347,749	388,867	439,933
Building Materials and Farm Implements	437,570	482,308	547,692	601,021	700,538
Service Stations	452,098	526,922	564,835	499,582	640,221
Automobile, Boat, Motorcycle and Plane Dealers and Parts Outlets	1,068,956	1,201,689	1,287,966	1,433,172	1,629,982
Total Retail Outlets	5,436,696	5,967,990	6,346,995	6,609,248	7,516,398
Business and Personal Services	389,582	414,027	488,513	549,468	556,940
All Other Outlets	2,946,282	3,393,964	3,898,308	3,876,287	4,056,713
Total All Outlets	$8,772,560	$9,775,981	$10,733,816	$11,035,003	$12,130,051

(1) Latest available information.
Source: State Board of Equalization.

Transportation

San Francisco International Airport (the "Airport") is located in an unincorporated area of the County. According to the Airports Council International, it is the fifth busiest airport in the nation in terms of passenger volume and the thirteenth busiest in cargo volume. The Airports Commission reports that air traffic at the Airport in 1999-00 included 40 million passengers, an increase of nearly 200,000 passengers or 0.7% from the previous period. In 1998-99, a total of approximately 39 million passengers passed through the Airport. Seventy-four major passenger and commuter airlines fly from the Airport, and approximately thirty-four of them serve international destinations.

In 1999-00, the Airport handled 655,409 metric tons of cargo, an increase of over 56,829.2 metric tons or 9.5% over the previous period.

Although the Airport is owned and operated by the City and County of San Francisco, it plays a very significant part in the economy of the County. Air transportation is the County's largest single industry. Over 229,400 people are employed at the Airport by the airlines, cargo carriers, restaurants, aviation suppliers and other Airport-related businesses.

The new $1 billion 26-gate international terminal was opened in December of 2000, and construction of a ground transportation center, light rail system and elevated circulation road at the Airport is currently underway.

Table 10
SAN FRANCISCO INTERNATIONAL AIRPORT
Passenger, Cargo and Mail Data
Fiscal Years 1990-91 through 1999-00

Fiscal Year Ending June 30	Passengers Enplanements and Deplanements	Freight and Express Air Cargo Enplaned and Deplaned (Metric Tons)	U.S. and Foreign Mail (Metric Tons)
1991	30,832,646	460,946	117,355
1992	31,349,841	475,408	119,412
1993	31,993,602	486,588	120,517
1994	33,814,456	508,970	130,916
1995	36,262,745	558,273	138,045
1996	37,335,196	555,771	141,637
1997	39,100,617	589,742	153,586
1998	37,799,907	621,538	165,336
1999	39,158,482	618,285	182,158
2000	40,242,096	680,191	190,586

Source: San Francisco Airport Commission.

The Port of Redwood City is also located in the County. The Port has a deep-water channel and handles bulk cargo including lumber and scrap metal. In fiscal year 1999-00, the Port handled 945,305 metric tons of cargo, an increase of 13.9% over the prior year.

The County is connected to downtown San Francisco and the East Bay by the San Francisco Bay Area Rapid Transit ("BART") District. BART has stations operating at Daly City and Colma and has a planned extension to the San Francisco International Airport.

The County is also served by CalTrain, a commuter rail service between San Jose and San Francisco, running along the Southern Pacific right-of-way.

Construction

The long-term prospects for office and industrial construction in the County are expected to continue to improve. An increasing number of employers are moving north to the County in an attempt to avoid traffic congestion in the Silicon Valley while others are attracted south from San Francisco by lower rents.

As illustrated in the following table, total residential construction activity increased by $97,521 or 42.4% between 1999 and 2000. From 1996 to 2000, building valuations increased over 76%, with the largest dollar increase coming between 1997 and 1998.

The number of multi-family housing building permits increased by over 400% in 2000 from the previous year. The number of single-family home building permits increased in 2000 by 47% from the previous year.

Table 11
COUNTY OF SAN MATEO
BUILDING PERMIT ACTIVITY AND VALUATIONS
(Valuations in thousands)

	1996	1997	1998	1999	2000
Residential Valuation (in 000s)					
Single Units	$140,250	$212,652	$274,898	$214,845	$245,706
Multi-Dwelling Units	45,695	59,319	114,962	15,134	81,794
Total	$185,945	$271,970	$389,861	$229,979	$327,500
New Housing Units					
Single Units	619	856	1,072	747	1,098
Multi-Dwelling Units	391	586	1,149	134	712
Total	1,010	1,442	2,221	881	1,810

Note: Totals may not add due to independent rounding.
Sources: Economic Sciences Corporation, "California Building Permit Activity".

Education

Public educational services include 17 elementary school districts, three high school districts, and three unified (grades K-12) school districts.

Post-secondary public education is available at Notre Dame College, Menlo College and three community college campuses operated by the San Mateo County Community College District: the College of San Mateo in San Mateo, Canada College in Redwood City and Skyline College in San Bruno. Within less than an hour's drive of the County are San Francisco State University; University of San Francisco; California State University, Hayward; Mills College, Oakland; Stanford University; University of California at Berkeley; University of California at Santa Cruz; San Jose State University; and Santa Clara University.

COUNTY FINANCIAL INFORMATION

Budget Process

The County is required by State law to adopt a balanced budget by October 2nd of each year. Beginning in 1994, the County implemented a two-year budget process. The County Manager's Office (the "CMO") prepares a preliminary forecast of the County's two-year budget based on current year expenditures, the Governor's budget, and other projected revenue trends. Based on this forecast, a target County budget for two fiscal years, beginning July 1, is developed and projected resources are tentatively allocated to the various County programs.

The CMO presents the recommended budget to the Board. The Board is required by the County Budget Act to adopt a recommended budget no later than June 30th.

Between January and the time the State adopts its own budget (which is legally due no later than June 15th), representatives of the CMO monitor, review and analyze the State budget and all adjustments made by the State Legislature, as well as all other expenditure and revenue trends. Upon adoption of the final State budget, the CMO recommends revisions to the Recommended Budget to align County expenditures with revenues.

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

Revenues and Expenditures - Annual Budget for Fiscal Year 2001-02

The Board is required to set tax rates in accordance with Article XIIIA of the State Constitution by September 1st. The County Controller is responsible for monitoring and reporting expenditures within budgeted appropriations.

Set forth below is a comparison of the Adopted County Budgets for fiscal years 2000-01 and 2001-02.

Table 12
COUNTY OF SAN MATEO
ADOPTED BUDGET FOR COUNTY
Comparison For Fiscal Years 2000-01 and 2001-02
(Dollar Amounts in Thousands)

	Adopted 2000-01 Budget	Adopted 2001-02 Budget	Change From 2000-01 Adopted Budget	
			Amount	% Increase (Decrease)
REQUIREMENTS:				
General Government	$ 112,662,610			
Public Protection	224,312,685			
Public Ways & Facilities	33,866,240			
Health and Sanitation	180,638,517			
Public Assistance	156,770,342			
Education	191,278			
Recreation & Culture	10,858,984			
Other Financing Uses	99,481,786			
Contingencies	224,243,513			
Total Requirements	$1,043,025,955			
AVAILABLE FUNDS:				
Fund Balance Available	$ 176,019,657			
Taxes	140,505,038			
Licenses, Permits & Franchises	8,151,370			
Fines, Forfeits & Penalties	8,481,773			
Use of Money & Property	14,719,174			
Intergovernmental Revenues	427,080,043			
Charges for Services	129,806,677			
Interfund Revenues	70,529,065			
Miscellaneous Revenues[1]	27,694,963			
Other Financing Sources	40,038,195			
Total Available Funds	$1,043,025,955			

(1) Miscellaneous Revenues includes capital project costs reimbursement and other miscellaneous revenues.
Source: County of San Mateo Controller

Property Taxes - Tax Rate, Valuation and Levy

Taxes are levied for each fiscal year on taxable real and personal property situated in the County as of the preceding January 1st. For assessment and collection purposes, all property (both real and personal) is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the roll containing (i) State Board of Equalization assessed (public utilities) property and (ii) property the taxes on which are secured by a lien on the underlying real property which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. The "unsecured roll" is that part of the assessment roll containing property, such as business property on leased or rented premises, which is not secured by the underlying real property.

The primary changes in the "secured" and "unsecured" rolls are caused by (1) revaluation of all State Board of Equalization assessed properties, (2) revaluation of all business personal property, (3) revaluation of real property if an assessable change of ownership or completed new construction occurs and (4) an inflation factor applied to all real property not otherwise effected in (3) above, not to exceed 2%. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein. The appropriate tax rate is applied to the changed assessment by the County Controller's Office resulting in an estimated tax levy for all property on both the "secured" and "unsecured" rolls. Assessments are reported at 100% of the full value of the property, as defined in Article XIIIA of the State Constitution.

In addition, legislation established the "supplemental" roll in 1983 which directs the County Assessor to revalue real property to market value on the date such property changes ownership or upon completion of new construction to or upon such property (hereinafter, a "Supplemental Event"). Prior to the "supplemental" roll legislation, new values due to changes in ownership and new construction were added to the assessment roll on January 1st following the change of ownership or completion of new construction. As a result, the change in property tax liability was not reflected until the fiscal year following the January 1st lien date.

As a result of the "supplemental" roll legislation, the current year property tax rate is applied to the revaluation and the taxes are adjusted by a proration factor to reflect the portion of the remaining tax year after the Supplemental Event.

Pursuant to the requirements of Article XIIIA of the State Constitution, the County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes are apportioned on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership and inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than County-wide or less than city-wide special districts.

Payment Dates and Liens

Property taxes on the secured roll are due in two installments, on November 1st and February 1st of each fiscal year, and if unpaid become delinquent on December 10th and April 10th, respectively. The penalty for late payment is 10% of the delinquent taxes. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on June 30th of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1½% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the January 1st lien date and become delinquent, if unpaid, on August 31st. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31st, an additional penalty of 1½% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk-Recorder specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recording in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the delinquent taxpayer.

Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered. Supplemental roll billings are made on a monthly basis and are due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on December 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent. These assessments are subject to the same penalties and default procedures as the secured and unsecured roll.

Historically, the County has borne the full cost of property assessment and revenue collection and distribution. State legislation enacted in 1990 allowed counties to charge cities, schools, special districts and redevelopment agencies for their share of property tax administrative costs. Subsequent legislation permanently exempted school districts from paying property tax administrative fees. The County presently collects property tax administrative fees from cities, special districts and redevelopment agencies. In fiscal year 2000-01, the County is projected to collect approximately $3,343,183 in property tax administrative fees.

Assessed Valuations

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

As described under "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Article XIIIA of the State Constitution," the full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. The County Assessor has reported a number of outstanding appeals brought by County taxpayers with respect to the assessed values of property located within the County. These include appeals filed by Genentech, Inc., for real and personal property assessments for fiscal years 1992 through 2000. These appeals may be resolved or go to hearing during fiscal year 2001-02. Genentech, Inc. seeks a reduction of approximately 45% in assessed value. In the event Genentech, Inc. were to fully prevail, the County's estimated share of potential liability for refunds and interest is approximately $1,000,000. Also included in the outstanding appeals are appeals of property valuation brought by airlines relating to aircraft and other property at San Francisco International Airport which is located in the County. In 1998, the County entered a State-wide settlement agreement. Under the settlement, the airlines have agreed to dismiss their appeals and litigation in return for credits against taxes for five years through fiscal year 2002-03. The County's share of liability resulting from the settlement will be approximately $434,000 per year through 2002-03. It is anticipated that this cost will be offset by increases in assessed value arising from the current expansion of the airport and growth in the tax roll generally. Other outstanding appeals and litigation include a suit filed by Oracle Corporation in San Mateo County Superior Court claiming a refund of property taxes was due for two buildings located at 400 and 500 Oracle Parkway because the Assessment Appeals Board failed to decide its appeals within two years (based on Revenue and Taxation Code section 1604(c)). In February 2001, the court granted Oracle Corporation's Motion for Summary Judgment, entitling Oracle Corporation to a judgment against the County in the amount of $3,321,270, plus interest (which is estimated at approximately $600,000 as of May 2001). The judgment has not been entered yet, as Oracle Corporation is still confirming the County's calculation of interest due.

Taxation of State-Assessed Utility Property. The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (the "SBE") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property," a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year. Currently, approximately 2.1% of the County's total net assessed valuation constitutes unitary property subject to State assessment by the SBE, for which approximately $13,221,129 of property taxes were collected in fiscal year 1999-00. The portion of these tax collections attributable to the County General Fund was $3,116,441.

Until recently, SBE assessment of investor-owned gas and electric companies, incumbent local exchange companies, AT&T Corp., and AT&T Communications of California, Inc. was subject to a Settlement Agreement, dated May 1, 1992, among those companies, the SBE and all California counties (the "Agreement"), under which, for many fiscal years, the SBE set the assessed property value equal to historical cost less depreciation less 25% of each utility's deferred tax reserve (all as defined in the Agreement). The Agreement provided that this valuation method was not intended to be precedent for calculating fair market value in years after the term of the Agreement. The Agreement was in response to a February 1, 1991, Sacramento Superior Court decision in AT&T Communications of California, Inc. et al v. State Board of Equalization, in which the court held that the SBE's valuation approaches had overvalued AT&T's unitary property, and ordered AT&T's statewide assessed value to be reduced from approximately $1.75 billion to approximately $1.1 billion. With the expiration of the Agreement, the SBE has greater flexibility in determining the factors to be considered in establishing assessed property values. The SBE has provided significant relief to various large companies during fiscal year 1999-00 and fiscal year 2000-01, and such relief will result in the loss by the County of approximately $388,000 of property taxes during this period.

In 1999, the SBE adopted a rule that provides for local assessment of certain investor-owned electric utility facilities. The County Assessor does not presently assess any power plants located in the County.

The California electric utility industry is currently undergoing significant changes in its structure and in the way in which components of the industry are or are not regulated. Further sales of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed in the future and which local agencies are to receive the property taxes. The County is unable to predict their impact of these changes on its utility property tax revenues, or whether further legislation may be proposed or enacted in response to industry restructuring, or whether any future litigation may affect methods of assessing utility property and the allocation of assessed value to or among local taxing agencies. See "Other Revenues - California Energy Shortage" below. On April 6, 2001, PG&E, one of the largest taxpayers in the County, filed for voluntary protection under Chapter 11 of the federal Bankruptcy Code. The bankruptcy proceedings (the "PG&E Bankruptcy") are pending in U.S. Bankruptcy Court in San Francisco, California. During the PG&E Bankruptcy, PG&E's operations will continue under current management, while the Bankruptcy Court decides on the allocation of PG&E's available cash flow assets among its various creditors. PG&E has paid the County both installments of its property taxes for the tax year 2000-01. However, the second installment, which was submitted after the due date, has not been applied to the property because it failed to include a late payment penalty, fees and interest. (The Bankruptcy Court, acting on PG&E's motion, ordered PG&E to pay the remainder of its second installment of property taxes and left the issue of penalties, fees and interest to negotiations between the parties.) The County, as a secured creditor, will file with the Noticing Agent, a Proof of Claim prior to the deadline of October 3, 2001. Bankruptcies involving large and complex companies typically take several years to reach a conclusion. PG&E's parent company has not filed for bankruptcy protection.

The following table sets forth information relating to the assessed valuation of property subject to taxation since fiscal year 1991-92.

Table 13
COUNTY OF SAN MATEO
Total Assessed Valuation of Property Subject to Ad Valorem Taxation
Fiscal Years 1991-92 through 2000-01
(Dollar Amounts in Thousands)

Fiscal Year	Land	Improvements	Personal Property	Exemption	Net Total
1991-92	$17,254,535	$29,709,362	$4,782,044	$2,137,498	$49,608,443
1992-93	18,226,256	30,821,279	5,064,503	2,247,765	51,864,273
1993-94	19,286,944	31,740,656	5,549,457	2,283,008	54,294,049
1994-95	20,091,729	32,333,105	5,522,456	2,355,848	55,591,442
1995-96	20,885,722	33,211,707	5,518,896	2,399,481	57,216,844
1996-97	21,588,762	34,095,034	5,506,158	2,420,565	58,769,389
1997-98	22,903,356	35,630,836	5,866,439	2,502,633	61,897,998
1998-99	24,984,417	37,877,826	6,795,063	2,542,875	67,114,431
1999-00	27,524,696	41,465,238	6,594,451	2,669,020	72,915,365
2000-01	30,536,574	44,861,648	7,450,029	2,727,954	80,120,297

Source: County of San Mateo Controller.

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

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

The law has authorized the Teeter Plan for over 40 years; however, until 1993, it had been implemented in only five counties. Legislation signed by the Governor on July 19, 1993 provided a financial inducement to utilize this simplified accounting method. In connection with its adoption of the Teeter Plan, the County was required to advance to each participating taxing entity a portion of the delinquent secured property taxes outstanding. The County financed this obligation through an internal borrowing from the County pool. For fiscal year 1993-94, delinquent secured property taxes amounts advanced to school districts in excess of the amount they would have received under the prior method of distribution was used as a credit against the County's property tax transfer obligation. The County's tax transfer obligation to its school districts was reduced approximately $13 million as a result of the adoption of the Teeter Plan.

The following table sets forth a summary of ad valorem property tax levies and collections for County General Fund purposes for fiscal years 1991-92 through 1999-00. As shown in the following table, for fiscal year 1999-00 the secured tax roll delinquency rate was 1.16%.

Table 14
SUMMARY OF AD VALOREM PROPERTY TAXATION[(1)]
Levy and Collection History
Fiscal Years 1990-91 through 1999-00

SECURED PROPERTY TAX ROLL

Fiscal Year	General Fund Secured Levy at June 30	Amount of Current Levy Uncollected at June 30	Percent Current Levy Delinquent at June 30	Total Non-Current Levy Collections[(3)]
1990-91	$ 94,235,454	$3,393,298	3.66%	$1,907,467
1991-92	100,243,377	3,763,642	3.75	3,185,743
1992-93	104,964,923	3,233,648	3.08	3,366,398
1993-94	65,066,475[(2)]	2,287,432	3.52	7,218,723[(4)]
1994-95	67,151,050	1,477,323	2.20	4,191,176
1995-96	69,261,272	1,295,185	1.87	4,412,044
1996-97	71,333,578	1,262,604	1.77	4,114,198
1997-98	75,656,720	1,036,497	1.37	5,418,743
1998-99	82,034,196	988,512	1.21	8,531,260
1999-00	89,975,058	1,044,889	1.16	8,304,890

UNSECURED PROPERTY TAX ROLL

Fiscal Year	Unsecured Property Levy at June 30	Total Current and Non-Current Levy Collections[(3)]	Percentage of Total Collections to Original Levy
1990-91	$12,480,253	$12,754,000	102.2%
1991-92	13,701,753	13,940,291	101.7
1992-93	13,078,268	13,640,899	104.3
1993-94	8,989,644[(2)]	9,199,365	102.3
1994-95	8,486,510	8,857,930	104.4
1995-96	8,751,164	8,883,946	101.5
1996-97	8,711,577	8,702,137	99.9
1997-98	8,647,936	8,904,650	102.9
1998-99	9,633,258	9,872,263	102.5
1999-00	10,188,602	10,582,077	103.9

SUPPLEMENTAL ROLL

Fiscal Year	Supplemental Roll Tax Change (Net)	Total Collections at June 30th[(3)]	Percentage of Total Collections to Current Charge
1990-91	$5,950,094	$4,654,251	78.2%
1991-92	4,409,945	3,364,309	76.3
1992-93	3,187,252	2,650,692	83.2
1993-94	1,598,117[(2)]	1,378,849	86.3
1994-95	1,612,616	1,344,570	83.4
1995-96	1,780,227	1,364,759	76.7
1996-97	2,307,542	1,639,790	71.1
1997-98	3,855,196	2,871,101	74.5
1998-99	5,289,385	2,747,760	51.9
1999-00	3,635,424	2,766,083	76.1

(1) The levy and collection data reflect the 1% levy allowed under Article XIIIA of the State Constitution.
(2) The decline for 1993-94 is the result of State legislation which shifted a portion of County property taxes to the State to meet the State's obligation to fund education. See "Other Revenues" below.
(3) Includes current and prior years' redemptions, penalties and interest.
(4) The increase in collections for 1993-94 reflects the County's adoption of the Teeter Plan. See "Assessed Valuations – Teeter Plan" above.

Source: County of San Mateo Controller.

Largest Taxpayers

The ten largest taxpayers in the County appearing on the 2000-01 tax roll are shown below. These ten largest taxpayers had a total assessed valuation of $6,235,562,473 or approximately 7.8% of the County's total assessed value for fiscal year 2000-01.

Table 15
COUNTY OF SAN MATEO
Ten Largest Taxpayers
SECURED AND UNSECURED ASSESSMENTS
(Fiscal Year 2000-01)

	Nature of Business	Total Assessed Value
United Airlines	Air Carrier	2,395,731,922
Genentech	Bio-technology	645,519,019
Spieker Properties	Real Estate	585,566,778
Pacific Gas and Electric[1]	Public Utility	497,714,453
American Airlines	Air Carrier	447,268,496
Sun Microsystems	Computer Products	440,939,919
Oracle	Computer Products	435,397,533
Pacific Bell	Public Utility	353,692,636
HMC Burlingame Hotel	Hotel	246,203,508
Delta Airlines	Air Carrier	187,528,209
	TOTAL	$6,235,562,473
	COUNTY-WIDE TOTAL	$80,120,296,766

(1) On April 6, 2001, PG&E filed for voluntary protection under Chapter 11 of the federal Bankruptcy Code. See "Assessed Valuation - Taxation of State-Assessed Utility Property" above and "Other Revenues—California Energy Shortage" below.
Source: County of San Mateo Assessor.

Table 15A
COUNTY OF SAN MATEO
Ten Largest Taxpayers
SECURED TAXES PAYABLE AND PAID
(Fiscal Year 2000-01)

Taxpayer	Amount
Genentech	$ 7,248,259
Spieker Properties	7,682,495
Pacific Gas and Electric[(1)]	5,408,797
Pacific Bell	3,845,949
Sun Microsystems	3,653,867
HMC Burlingame Hotel	2,527,954
Oracle Corporation	2,158,733
Spring Communications	1,778,644
Electronics For Imaging	1,763,243
Bohannon Development	1,719,476
	$37,787,417

(1) On April 6, 2001, PG&E filed for voluntary protection under Chapter 11 of the federal Bankruptcy Code. See "Assessed Valuation - Taxation of State-Assessed Utility Property" above and "Other Revenues—California Energy Shortage" below.
Source: County of San Mateo Tax Collector.

Redevelopment Agencies

The California Community Redevelopment Law authorizes redevelopment agencies to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuations of properties within designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues only on the "frozen" tax base unless modified through negotiation. The following table shows the tax allocations paid to redevelopment agencies located in the County.

Table 16
REDEVELOPMENT AGENCY PROJECTS
OF CITIES IN SAN MATEO COUNTY - FROZEN BASE VALUE,
FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS
(Fiscal Years 1999-00 through 2000-01)

Fiscal Year	Frozen Base Value	Full Cash Value Increments[1]	Total Tax Allocations[2]
1990-91	$1,585,697,717	$2,403,114,889	$20,763,053
1991-92	1,622,482,407	2,533,775,708	22,603,842
1992-93	1,622,482,407	2,670,473,328	23,601,649
1993-94	1,613,034,638	2,892,185,220	25,793,861
1994-95	1,681,190,135	2,891,594,997	26,043,112
1995-96	1,681,190,135	3,169,444,656	26,339,066
1996-97	1,681,190,135	3,296,144,235	27,341,979
1997-98	1,681,190,135	3,580,621,682	30,342,730
1999-00	1,681,190,135	4,748,044,408	41,568,568
2000-01	2,514,840,546	6,377,704,680	51,119,738

(1) Full cash value for all redevelopment projects above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the redevelopment agencies within the County.
(2) Actual cash revenues collected by the County and subsequently paid to redevelopment agencies, subject to debt limitation. Payments are net of waivers for the County to retain its share as negotiated.
Source: County of San Mateo Controller.

Other Revenues

The following is a brief summary of the primary revenue sources of the County besides the ad valorem property tax discussed above and certain factors affecting such revenues.

State Aid. Since the passage of Article XIIIA of the State Constitution in 1978, there has been a major shift in the sources of County funding from property tax revenue to government aid. Approximately 42.8% of the County's General Fund revenue budget consists of payments from the State. Aid from the State includes State subventions for designated programs and State general purpose subventions.

Funding of Certain Programs by the State of California. California counties administer numerous health and social service programs as the administrative agent of the State and pursuant to State law. Many of these programs have been either wholly or partially funded with State revenues which have been subject each year to the State budget and appropriation process. Due to competing program priorities and the lack of available State funds, some of these programs have had reduced State support without a corresponding reduction in program responsibilities for county governments.

Revenue Enhancement. Pursuant to the Master Settlement Agreement ("MSA") pertaining to national tobacco litigation and the Memorandum of Understanding between the State and the counties and four cities in California which are parties thereto, the County expects to receive annual revenues from the tobacco industry as reimbursement for prior expenditures on health problems related to tobacco consumption. The Board of Supervisors has allocated most of these funds to the operations of Hospital and Clinics. The County received approximately $10.1 million in discretionary revenue in fiscal year 1999-00 and approximately $6.8 million in fiscal year 2000-01. The County anticipates that its share of tobacco settlement revenues will be approximately $8.5 million in fiscal year 2001-02.

Trial Court Funding. Assembly Bill 233 ("AB 233"), which was adopted by the State Legislature in 1997 and became effective January 1, 1998, transferred responsibility from the counties to the State for local trial court funding commencing in fiscal year 1997-1998. Under the legislation, the State assumed a greater degree of responsibility for trial court operations costs starting in fiscal year 1997-98. The County estimates a net positive fiscal impact on the County in the amount of $3,047,378 million in fiscal year 2000-01 as a result of AB 233. The County also anticipates that it will realize an additional $2,811,894 million reimbursement for security and a $529,887 reimbursement for overhead costs due to AB 233 that was not previously recognized.

The County will continue to be obligated to provide court facilities for all judicial officers and support positions authorized prior to July 1, 1996. This includes those judicial officers and positions which replace those offices and positions created prior to July 1, 1996. However, AB 233 does not require that the County finance new capital facility expenditures related to judicial officers and support staff required for any judgeships authorized during the period from January 1, 1998 to June 30, 2001. The final decision as to who will finance new capital facility expenditures related to this period of time and into the future is being evaluated by a state task force.

Proposed State 2001-02 Fiscal Year Budget. On Wednesday, January 10, 2001, Governor Gray Davis released his proposed budget for fiscal year 2001-02 (the "2001-02 January Budget"). The 2001-02 January Budget estimated 2001-02 General Fund revenues and transfers to be approximately $79.4 billion and proposed $82.9 billion in expenditures, using a portion of the surplus expected from 2000-01. The Governor proposed budget reserves in 2001-02 of $2.4 billion, including $500 million for unplanned litigation costs.

The 2001-02 January Budget proposed to use $3.7 billion of the new resources since the 2000 Budget Act for one-time expenditures, including $1 billion for energy initiatives, $772 million for capital outlay projects, $250 million in fiscal relief for local governments, $200 million for new housing initiatives and a variety of other proposals. With regard to ongoing programs, the 2001-02 January Budget proposed substantial additions in Proposition 98 funding for K-12 education and funding for all units of higher education, funding for health and welfare programs to cover anticipated caseloads, and a modest increase in youth and adult corrections funding.

On Tuesday, May 15, 2001, the administration released its May revision of the budget (the "May Revision"). As a result of the energy shortage (see "California Energy Shortage" below), slower near-term economic growth and recent weakness in the stock market, the State's fiscal condition has worsened since the issuance of the 2001-02 January Budget. The updated economic outlook in the May Revision assumes a much sharper slowdown in California's economy than it did in the 2001-02 January Budget. Year-over-year increases in California's personal income are forecast to slow from nearly 12 percent in early 2000 to around zero percent in late 2001, before partly rebounding in 2002. A similar sharp slowdown in taxable sales is also projected for 2001. The administration estimates that its 2001-02 January Budget has fallen out of balance by $5.7 billion. The California Legislative Analyst's Office projected that revenues would be $373 million less in the 2001-02 budget year than the estimates provided by the administration. Furthermore, the May Revision is predicated on an assumption that the State general fund will be reimbursed from revenue bonds for the over $7 billion it has committed for purchasing energy, so that a general fund surplus (including reserves) of almost $6 billion will be available to pay for programs in 2001-02. To date, this assumption is not supported by actions of the California Legislature.

The principal elements included in the May Revision were: (1) a reduction in budget and litigation reserves to $1.1 billion from $2.4 billion, (2) postponement of the allocation from the General Fund to transportation programs of $1.3 billion in 2001-02 and $1.2 billion in 2002-03 of sales tax receipts on gasoline sales, with a corresponding extension by two years of the Governor's transportation initiatives first enacted in the 2000 Budget Act, (3) a reduction of $400 million of proposals from the 2001-02 January Budget for one-time non-capital outlay expenditures for a variety of programs, including local government fiscal relief, housing and environmental programs, (4) a shift of $390 million of non-transportation capital outlay projects from "pay-as-you go" to debt financing, (5) a transfer of $600 million of other special funds to the State general fund, and (6) other budget reductions totaling over $1 billion. Total spending for K-12 schools and community colleges is proposed to increase over 2001-02. The overall spending plan for 2001-02 contained in the May Revision totals $7.9 billion, almost $600 million below projected expenditures in 2001-02, and $3.2 billion below the 2001-02 January Budget.

Certain significant aspects of the May Revision are described below:

Health and Human Services. The budget attempts to provide health care coverage to uninsured families. The 2001-02 May Revision continues funding provided in the 2001-02 January Budget to allow the application and enrollment of families into the HFP and the Medi-Cal for Children ("MCC") programs. The 2001-02 May Revision includes total Medi-Cal expenditures of $26.5 billion ($9.7 billion State general fund), an increase of $1.4 billion ($367.7 million State general fund) above the 2001-02 January Budget. The average monthly Medi-Cal caseload is expected to increase by 233,400 eligible beneficiaries to 6,084,200 eligibles. This represents an increase of four percent above the 2001-02 January Budget. This increase is due primarily to a more rapid phase-in of eligibility expansions than originally estimated. The net State general fund increase includes $43.5 million for increased county administration costs.

Some reduction or elimination of some augmentations proposed in the 2001-02 January Budget for health and human services programs, as well as the reduction of some base program funding proposals are summarized as follows:

- County Medical Services Program Administration reductions are planned. A reduction of $5 million and a corresponding increase of $5 million in reimbursements from counties in order to recoup the cost of administrative support provided to the County Medical Services Program by the Department of Health Services.

- Reductions in the grants to Local Public Health Departments are planned. The elimination of a $2 million augmentation originally proposed in the 2001-02 January Budget, for local public health subvention used for a variety of purposes by local public health departments throughout the State.

Department of Social Services – CalWORKs. Major changes proposed in the May Revision for 2001-02 include: (1) a $69.8 million increase in assistance payments to CalWORKs recipients due to increased caseload as compared to the January projection and new federal regulations affecting the vehicle resource limit rules for CalWORKs eligibility (this amount also includes an increase in the cost-of-living adjustment provided on assistance payments, which rises from 4.85 percent to 5.31 percent), (2) a $25.7 million decrease for basic CalWORKs employment services and county administration to reflect county funding requests being held to the level approved in the current year, (3) trailer bill language requiring counties to prioritize performance incentives for base CalWORKs program costs and providing for the development of a new employment services budget methodology i order to address that counties have earned $1.2 billion in incentives to date, but had spent only $62 million as of December 30, 2000, and (4) a $35.6 million reduction in the Temporary Assistance for Needy Families ("TANF") Block Grant reserve for contingencies (he remaining $49.3 million reserve will be available for unanticipated needs in any program for which TANF funds are appropriated, including CalWORKs benefits, employment services, county administration, and child care costs).

Reductions or eliminations of some augmentations proposed in the 2001-02 January Budget for *CalWORKs*, as well as the reduction of some base program funding proposals are as follows:

- $59.1 million reduction in the Welfare-to-Work (WtW) Grant General Fund match to spread it over three years, consistent with the extension of the time period for which the federal WtW Grant funds are available for expenditure. This reduction was mainly offset by a $44.3 million increase in federal TANF funds for CalWORKs employment services, since 75 percent of the match is used as a fund source for employment services.

- $46.7 million State general fund decrease resulting from an increase in the transfer from the Employment Training Fund to the Department of Social Services (DSS) to fund CalWORKs employment services.

- $25 million State general fund decrease to reflect reimbursements from the California Children and Families Commission's Child Care Account included in the DSS budget for CalWORKs Stage One Child Care.

Higher Education. The 2001-02 May Revision proposes an increase over the 2001-02 January Budget of $37.0 Million (State general fund) for local assistance and $53,000 (State general fund) for state operations within the community colleges. Total budget year funding for community colleges is estimated to be $6.3 billion from all funds in 2001-02, a $585 million increase over the current year.

Proposition 98 Guarantee. The proposed 2001-02 May Revision Proposition 98 guarantee is $32.5 billion. In addition, a change in the historical population series due to the federal census results in additional prior year "settle up" funding of $540.8 million, which brings total State general fund provided to schools and community colleges during 2001-02 to $33.1 billion – $285.7 million more than proposed in the 2001-02 January Budget.

General Fund Reduction. The State general fund will be reduced by a $5.9 million discretionary County Services Block Grant funding for information and referral, adult out-of-home care, non-medical out-of-home care, staff development, and other discretionary services that was included in the 2001-02 January Budget. The 2001-02 May Revision retains $11.3 million contained in the County Services Block Grant for Adult Protective Services Program.

Child Welfare Services. State general fund expenditures for child welfare services in the budget year will decline by $22.2 million. The 2001-02 May Revision also includes the following State general fund reductions for child welfare services:

- $4.3 million to eliminate various discretionary cost-of-living adjustments for Child Welfare Services (CWS).

- $9.7 million to eliminate the Juvenile Crime Prevention Program, a delinquency prevention demonstration program operating at various pilot sites throughout the State. The 2001-02 May Revision continues $121.3 million for a comprehensive, multi-agency response to juvenile crime that provides preventive and rehabilitative services to at-risk youth and juvenile offenders. The budget also contains $25.9 million for Juvenile Crime Enforcement and Accountability Challenge Grants and the Repeat Offender Prevention Project. The budget continues to provide $201.4 million of Federal TANF funds for the Comprehensive Youth Services Act, which provides preventive services to at-risk youth, as well as services to youthful offenders under the jurisdiction of the courts.

Technology. Due to the change in the fiscal outlook, the Administration proposes to delete the $250 million in discretionary funding to local governments and to reduce the $75 million for technology grants to local law enforcement to $20 million.

Recent Developments Regarding Passage of the State Final 2001-02 Budget Act. Pursuant to the Constitution of the State of California, the State Legislature is required to adopt its budget for an upcoming fiscal year by midnight of June 15th, and in the absence of such adoption, the Legislature may not send to the Governor for consideration any bill appropriating funds for expenditure during the fiscal year for which the budget bill is to be enacted, except emergency bills or appropriations for the salaries and expenses of the Legislature.

For the 2001-02 fiscal year, the State Legislature has not adhered to the June 15th deadline and to date, has not adopted a final State budget. In the late 1990's, the State Legislature failed to comply with this requirement and as a result, the Howard Jarvis Taxpayers Association sought an injunction in the Los Angeles Superior Court to prohibit the State form making certain types of payments in the absence of an adopted budget. That injunction was issued and the State was prohibited form making certain payments, except for the following: (1) salaries and expenses of the Legislature, (2) payments pursuant to certain emergency legislation for back interest earning on deferred employer retirement contributions and appropriation of funds relating to trail court funding, (3) payments pursuant to appropriations enacted in response to future emergency bills recommended by the Governor, (4) payments pursuant to specific 1997-98 appropriations enacted prior to July 1, 1998, specifically for expenditures to be made in 1998-99, and (5) "minimum wages" and overtime wages:" for employees covered by the Fair Labor Standards Act for work done prior to the date of the order. In response to that injunction, on July 22, 1998, the Legislature unanimously passed an $18.9 billion emergency-spending bill to cover the costs of, among others, bond payments, paychecks for state workers, retirement pensions, prisons, school and welfare payments, Oral arguments were never heard in that case.

The final 2001 Budget Act will depend on further negotiations between the Governor and the State Legislature. It cannot be predicted what changes will be made by the State Legislature and/or the Governor before the final budget is adopted nor can it be predicted what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. The level of intergovernmental revenues that the County will receive from the State in fiscal year 2001-02 and in subsequent fiscal years is likely to be affected by the financial condition of the State.

California Energy Shortage. During the past year, California has experienced significant energy shortages that have resulted in numerous requests for energy conservation and "rolling blackouts" in central and northern California. The energy shortage, which is likely to continue for several years, has also resulted in dramatic increases in the cost of electricity to many electricity customers in California. In addition, two of the State's largest investor-owned utilities, Pacific Gas & Electric Company ("PG&E") and Southern California Edison, have failed to meet all of their financial obligations. On April 6, 2001, PG&E filed for voluntary protection under Chapter 11 of the federal Bankruptcy Code. PG&E is one of the largest taxpayers in the County. See "Largest Taxpayers" and "Assessed Valuations - Taxation of State-Assessed Utility Property" above.

On January 17, 2001, the Governor determined that the electricity available from California's utilities was insufficient to prevent widespread and prolonged disruption of electric service in California and proclaimed a state of emergency to exist in California under the California Emergency Services Act (the "Emergency Act"). Under the Emergency Act, the Governor has directed all agencies of State government to utilize and employ State personnel, equipment, and facilities for the performance of any and all activities designed to prevent or alleviate the emergency. The Emergency Act permits the Governor to direct the expenditure of any appropriated funds legally available to perform the activities required under a proclamation. The Governor directed the State Department of Water Resources to enter into contracts and arrangements for the purchase and sale of electric power as necessary to assist in mitigating the effects of the emergency. The Emergency Act also authorizes the Governor to commandeer or utilize any private property deemed by the Governor necessary in carrying out his responsibilities and requires the State to pay the reasonable value of the use of such property. The Governor has used this authority to seize certain power purchase contracts of investor-owned utilities.

The State has expended, and continues to expend, substantial amounts of money in an attempt to address the situation. In addition, the Governor and the State Legislature have taken various legislative actions, and further actions are being considered. The federal government also is considering actions that it might take. Neither the State nor the County can determine at this time what the ultimate economic impact will be to the State (including the State's budget) and the County, respectively, as well as to various local governments, schools, businesses and other entities.

The level of intergovernmental revenues that the County will receive from the State in fiscal year 2001-02 and in subsequent fiscal years is likely to be affected by the financial condition of the State.

Federal Funding and Welfare Reform. The federal government provided approximately 12.4% of the County's 2000-01 General Fund revenue budget. The Human Services Department receives substantial funds for housing and community development programs and Joint Training and Partnership Act programs.

On August 22, 1996, President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act which made substantial modifications to the welfare system and required the State to submit a plan detailing how it would meet the provisions of the Act in order to begin receiving federal funding under the Temporary Assistance to Needy Families ("TANF") Block grant. As early as March 1995, in anticipation of the passage of Welfare Reform, the County initiated the development of a local welfare reform proposal with the intent of seeking State and federal waivers and status as a demonstration project. On July 22, 1997, the California State Department of Social Services notified the County that waivers to operate the Shared Understanding to Change the Community to Enable Self-Sufficiency ("SUCCESS") Demonstration Project had been approved and would be effective for three years beginning August 1, 1997. The SUCCESS project, the first welfare reform demonstration project to be approved in the State, is based on a community-designed model for delivering comprehensive, integrated and effective services to public assistance populations. The SUCCESS model emphasizes family self-sufficiency and responsibility through up-front employment assistance, child care and comprehensive case managed services. Services are delivered in partnership with community-based organizations and through multi-disciplinary teams to ensure the appropriateness of services while eliminating duplication. Integration of the child protective services, child support enforcement and housing assistance staff into the SUCCESS program design as additional components to the demonstration project have enhanced efforts to improve the well-being of children in the County. As a result of its reform efforts, the County has had the greatest reduction in welfare caseloads in California and was recognized as such by the Legislative Analyst's Office (LAO). In addition, the County was recognized by the LAO for having the highest child protection score of California counties.

Among other changes, the Welfare Reform Act has allowed the State to deny access to some federally funded welfare assistance programs to legal immigrants (but not to refugees). In the aggregate, the bill's restrictions would reduce federal expenditures in low-income programs by more than $55 billion over the next six years. Nearly all of the $55 billion in savings come from reductions in the federal food stamp program, Supplemental Security Income (SSI) program, and assistance to legal immigrants. California would potentially lose over $10.0 billion in federal funds during the same period of time. The Governor's budget for 1997-98 eliminated State mandates for General Assistance.

Public outcry over the severity of the reductions, particularly to legal aliens, coupled with a robust economy, has resulted in a restoration of benefits to many legal aliens who were already in the County prior to the reform legislation. For example, the fiscal year 1998-99 State budget provides for the Cash Assistance Program for Immigrants (CAPI) which provides for the continuation of SSI type payments for some 3,600 aged, blind and disabled legal aliens statewide. This program will be fully funded by the State with no share of costs to the County.

As part of the 1997-98 Budget Act's legislative package, the Legislature and Governor agreed on a comprehensive reform of the State's public assistance programs to implement the new federal law. The new basic State welfare program is called the California Work Opportunity and Responsibility to Kids Act (CalWORKs), which replaces the former Aid to Families with Dependent Children (AFDC) and Greater Avenues to Independence (GAIN) programs effective January 1, 1998. Consistent with the federal law, CalWORKs contains new time limits on receipt of welfare aid, both lifetime as well as for any current time on aid. The centerpiece of CalWORKs is the linkage of eligibility to work participation requirements. Administration of the new Welfare-to-Work programs will be largely at the county level, and counties are given financial incentives for success in this program. Although the longer-term impact of the new federal Law and CalWORKs cannot be determined until more time has passed, the County does not presently anticipate that these new programs will have any material adverse financial impact on its finances.

Other Taxes. In addition to the property tax described under "Property Taxes - Tax Rate, Valuation and Levy" above, the County has a number of other tax sources which it uses each year. The following is a brief description of some of those other County taxes and taxes which are collected by the State and shared with the County.

Sales Tax. The State collects and rebates to the County a one percent tax on retail transactions within unincorporated areas of the County. In 2000-01, the County budgeted $15,853,944 million in revenues from such tax. An additional sales tax of 1/2 of 1 percent will be subvened to the County on a population based formula pursuant to realignment and revenue transfers enacted by the State in fiscal year 1991-92. In addition, a State constitutional amendment, Proposition 172, was approved by the electorate in a special Statewide election in November 1993 to permanently extend a 1/2 of 1 percent sales tax for counties and cities for public safety purposes. For 2000-01, the County budgeted $65,912,803 million in revenues from such Proposition 172 tax. See "Other Revenues - Funding of Certain Programs by the State of California" above.

Property Transfer Tax. A tax on the transfer of real property recorded in the County is authorized by the State Revenue and Taxation Code and local ordinance. The transfer of real property tax is $1.10 per $1,000 in the County, with 50 percent of the tax shared with the cities in incorporated areas of the County.

Transient Occupancy Tax. A transient occupancy tax is levied on the charge for renting any hotel or motel accommodations within unincorporated areas of the County. The transient occupancy tax rate is 10%.

Licenses and Permits. License and permit revenues are received by the County from the licensing of animals and certain businesses within the County and the issuance of building permits.

Fines, Forfeitures and Penalties. These revenues are generated from court fines and forfeitures of bail for violations of law.

Use of Money and Property. These revenues include the interest earned on bank deposits and other investments, as well as gains and losses on the sale of securities and investments.

Charges for Current Services. These revenues include assessment and tax collection fees, booking fees, court fees and costs, sanitation services fees and park and recreation fees.

Revenues and Expenditure Trends

State and federally mandated expenditures in justice, health and welfare have grown at a greater rate than the County's discretionary general purpose revenues over the last several years. At the same time, decreased State revenues have resulted in fewer State funds being available to the County. The result has been that the County has increased its contribution to maintain mandated services while optional local services have been reduced. The Board has responded to this trend in part by instituting measures to improve management, thereby reducing costs and increasing productivity and maintaining services with diminished funding.

The County has implemented a number of programs to reduce costs, maximize revenues (such as through collection of prisoner booking and property tax administration fees) and maintain sound business practices. Included in these efforts have been the establishment of departmental goals and objectives, performance measures, productivity improvement efforts and increased emphasis on employee training and automation.

County Treasurer's Investment Pool

The County Treasurer manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited in the County Treasury by the County, all County school districts, various special districts, and some cities within the County. State law requires that all moneys of the County, school districts and certain special districts be held in the County Treasury by the County Treasurer. The County Treasurer accepts funds primarily from agencies located within the County. There are currently approximately 600 participants in the County pool, the largest single agencies being the County (representing 34.5% of the County pool) and the San Mateo County Transportation Authority (representing 16.8% of the County pool). The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and federal funding and other fees and charges. As of March 31, 2001, investments in the County pool were held for local agencies in the following amounts:

Participant Category	Invested Funds[1]	% of Total
School Districts and Community College Districts	$476,752,241	32.8%
Cities	106,200,901	7.3
Special Districts	69,089,490	4.8
Bay Area Air Quality District	51,257,615	3.5
San Mateo County Transportation Authority/JPB	248,721,854	17.1
All Other San Mateo County Funds	02,184,408	34.5
Total	$1,454,206,509	100.0%

(1) Amounts represent cash balance as of March 31, 2001.

As of March 31, 2001, the composition, carrying amount, and market value of the County's cash and investment pool were as follows:

SAN MATEO COUNTY INVESTMENT POOL
SUMMARY OF ASSETS HELD MARCH 31, 2001

Security	Carrying Value(1)	Market Value(2)
Repurchase Agreements	$509,544,381	$511,005,977
Corporate Notes	272,399,066	280,570,666
U.S. Treasuries	148,726,598	148,140,755
U.S. Government Agencies	462,019,039	474,345,837
Totals	$1,392,689,084	$1,414,063,236

(1) The "carrying value" of the pool securities represents the cost of such securities to the County.
(2) The "market value" of the pool securities is composed of the market value of such securities plus accrued interest.

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

As reflected in the table above, as of March 31, 2001, the carrying value and market value of investments credited to the County pool were approximately $1.392 million and $1.414 billion, respectively. The pool currently includes approximately $1.414 million in cash or cash equivalents, which represents the County pool's liquidity. As of March 31, 2001, the dollar weighted average maturity of the County pool was 1.6 years with a duration of 1.4 years. Less than 28% of the assets of the investment pool come from public agencies which can make discretionary withdrawals for the purposes of making alternative investments. The Treasurer believes the liquidity in the portfolio is adequate to meet expected cash flow requirements and would preclude the County from the need to sell investments at below carrying value. However, the County has in the past and may in the future elect to sell securities below carrying value, borrow short-term debt to fund cash flow needs and take other actions as the Treasurer may deem warranted by prudent fiscal management.

On January 10, 2001, the Board made its annual review and approved the investment policy (the "County Investment Policy"). To meet the requirements of both liquidity and long-term investment needs, the County Investment Policy established the County pool. The County pool attempts to match maturities with capital expenditures and other planned outlays. It is designed as an income fund to maximize the return on investible funds over various market cycles, consistent with limiting risk and prudent investment principles. Yield is considered only after safety and credit quality have been met. The purpose of the fund is to provide investors with a reasonably predictable level of income.

The maximum allowable maturity of instruments in the County pool at the time of investment is 15 years and the maximum dollar weighted average maturity of the fund is five years. Subject to California law, funds deposited in the County pool under the County Investment Policy may only be reclaimed at the rate of 20% of the principal balance per month, exclusive of apportionment, payrolls and day-to-day operations, unless specifically authorized by the Treasurer. Gains and losses in the County pool are proportionately allocated to each depositor quarterly, each being given credit for accrued interest earnings and capital gains based on their average daily pool balance. The minimum balance for an outside agency to maintain an account in the County pool is $100,000.

The Treasurer honors all requests to withdraw funds for normal cash flow purposes. Any requests to withdraw funds for purposes other than cash flow are subject to the limit of 20% of the principal balance per month described above and to the consent of the Treasurer. Such requests are subject to the Treasurer's consideration of the stability and predictability of the County pool or the adverse affect on the interests of the other depositors in the County pool.

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

The fund also permits investments in repurchase agreements in an amount not exceeding 100% of the fund value. Collateralization on repurchase agreements is set at 102%. Reverse repurchase agreements are limited to 20% of the fund and must have a maximum maturity of 92 days or maturity date equal to, or shorter than, the stated final maturity of the security underlying the reverse repurchase agreement itself. Currently there are no reverse repurchase agreements in the County pool and the County does not generally invest in reverse repurchase agreements. The County has not been required to make any collateral calls with respect to reverse repurchase agreements previously maintained in the fund.

The County Investment Policy permits certain securities lending transactions up to a maximum of 20% of the County pool. The Pool maintained a securities lending program for the past several years. The program was conducted under a Custody Agreement by and between the County and The Bank of New York, as custodian. The program was discontinued as of January 1, 1997 until new disclosure requirements are issued by Governmental Accounting Standards Board (GASB). At that time, the County will review the program.

Currently, voluntary participants account for 27.9% of the County pool's asset value; however, a three-year contract with the Bay Area Air Quality Management District ("BAAQMD"), which accounts for 3.5% of the total portfolio, mitigates the risk of immediate withdrawal by the BAAQMD. The other voluntary investors, including the San Mateo County Transportation Authority, have monthly limitations on withdrawals of 20% of its asset value, as do all participants as described above.

The Board has established an eight member County Treasury Oversight Committee. There are four designated members: the County Controller or his designee; the County Superintendent of Schools or his designee; a person appointed by the Board of Supervisors; and a person selected by a majority of the presiding officers of the governing bodies of the school districts and of the community college district in the County. In addition there are four members nominated by the Treasurer and confirmed by the Board of Supervisors who have expertise, or an academic background, in public finance and investment.

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

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

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

For further information regarding the County's existing pool, see note 2 to the audited financial statements of the County included in APPENDIX C hereto.

Financial Statements

Governmental and fiduciary funds are maintained on a cash basis of accounting except that certain payroll costs are accrued each year to provide for an additional payroll due once every 12 years. The accrued payroll cost is charged currently to expenditures, and the cumulative total is recorded as a liability.

The proprietary funds are maintained on the accrual basis of accounting. The revenues are recognized when earned, and expenses are recognized in the period incurred.

Independently audited financial reports are prepared annually. It is the County's policy to change auditing firms periodically; the last such change occurred in 1994-95. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The County's present independent auditor is Macias, Gini & Company.

The accompanying financial information was developed from the audited general purpose financial statements of the County. The audited general purpose financial statements of the County for the year ended June 30, 2000 are attached as APPENDIX C to this Official Statement.

Table 17
COUNTY OF SAN MATEO
GENERAL FUND
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years Ended June 30, 1996 through 2000
(Dollar Amounts in Thousands)

	1995-96	1996-97	1997-98	1998-99	1999-00
REVENUES					
Taxes:					
Property Tax(1)	$ 85,427	$ 82,491	$ 87,038	$ 94,125	$103,329
Sales and Use Tax(2)	11,846	12,918	13,784	13,035	15,665
Other Taxes	4,866	5,958	6,624	5,593	7,398
Subtotal Taxes	102,139	101,367	107,446	112,753	126,392
Licenses and Permits	2,426	2,592	3,162	3,716	3,664
Use of Money and Property	6,804	10,529	14,104	9,264	14,994
Aid From Governmental Agencies:					
State	185,065	193,622	203,727	210,811	235,004
Federal	67,806	58,506	58,419	67,508	69,357
Other	4,782	4,517	4,830	4,928	5,490
Subtotal Governmental Agency Aid	257,653	256,645	266,976	283,247	309,851
Charges for Services	36,875	45,030	48,732	56,733	56,497
Fines and Forfeitures	4,074	1,738	6,372	7,498	8,097
Other	8,291	11,652	10,131	11,212	18,226
TOTAL REVENUES	$418,262	$429,553	$456,923	$484,423	$537,721
EXPENDITURES					
Current:					
General Government	$ 35,794	$ 37,557	$ 37,633	$ 39,489	$ 40,302
Public Protection	138,874	142,471	154,308	160,585	172,389
Health and Sanitation	88,103	94,025	100,163	110,627	124,494
Public Assistance	135,635	124,881	117,762	124,015	134,028
Education	167	84	144	153	185
Recreation	4,872	5,046	5,501	5,914	6,182
Capital Outlay	–	–	–	3,524	3,583
Debt Service:					
Principal Retirement	–	–	–	517	633
Interest	–	–	–	129	121
TOTAL EXPENDITURES	$403,445	$404,064	$415,511	$444,953	$481,917
EXCESS OF REVENUES OVER EXPENDITURES	$ 14,817	$ 25,489	$ 41,412	39,470	$ 55,804
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	–	$ 916	–	–	371
Operating Transfers Out	(10,373)	(12,837)	(18,254)	(15,414)	(31,088)
Expended Proceeds of Certificates of Participation/Lease Revenue Bonds(3)	–	–	–	–	–
Capital Leases	–	–	–	–	560
Proceeds from Advance Refunding	–	–	–	–	–
Payment to Refunded Bond Escrow Agent	–	–	–	–	–
Total Other Financing Sources (Uses)	(10,373)	(11,921)	(18,254)	(15,414)	(30,157)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	4,444	13,568	23,158	24,056	25,647
Fund Balance at Beginning of Year	180,521	53,343	66,911	88,770	112,826
Adjustment for Accrual of Taxpayer Assessed Revenue	–	–	–	–	–
Prior Period Adjustment – Reclassification	6,422	–	(1,299)	–	677
Fund Balance Beginning of Year, as Restated	186,943	53,343	65,612	88,770	113,503
Residual Equity Transfer Out(3)	(138,044)	–	–	–	–
Fund Balance, End of Year	$ 53,343	$ 66,911	$ 88,770	$112,826	$139,150

(1) The decline in property tax revenues for 1996-97 is the result of Teeter Plan redemptions. See "Assessed Valuations – Teeter Plan" above.
(2) Excludes sales tax revenue received pursuant to Proposition 172 which is included in the table under "Aid From Governmental Agencies - State" below. See "Other Revenues" above.
(2) All debt service payments budgeted for Certificates of Participation/Lease Revenue Bonds were made out of the General Fund until 1995-96 when a Debt Service Fund was established. The Residual Equity Transfer Out adjustment reflects the transfer of debt service payments out of the General Fund into the Debt Service Fund in 1995-96.
Source: County of San Mateo General Purpose Financial Statements.

Table 18
COUNTY OF SAN MATEO
GENERAL FUND
Combined Balance Sheet
At June 30, 1998, 1999 and 2000
(Dollar Amounts in Thousands)

	1998	1999	2000
Assets			
Cash and Investments	$ 100,776	$ 61,992	$ 64,212
Receivables			
Taxes, net of allowances for uncollectible accounts	5,176	12,147	11,302
Accounts, net of allowance for uncollectible accounts	7,027	8,693	8,918
Mortgage	27,362	27,989	31,964
Interest	--	--	2,585
Advances	118	43	45
Other	10,184	11,598	13,074
Due from governmental agencies	35,432	50,960	53,714
Due from other funds	5,574	8,974	25,563
Advances to other funds	6,951	6,851	10,391
Deposits	50	--	--
Inventories	182	97	125
Other Assets	--	50	123
Total Assets	$198,832	$189,394	$222,016
Liabilities and Fund Equity			
Accounts payable	$ 4,009	$ 6,490	$ 7,461
Accrued salaries and benefits	1,956	2,904	4,980
Short term borrowing	52,250	--	
Due to other funds	297	1,031	992
Due to other governmental agencies	2,007	5,580	3,930
Deposits	10	10	10
Deferred revenues	49,533	60,553	65,493
Total Liabilities	$110,062	$ 76,568	$ 82,866
Fund equity:			
Fund balances:			
Reserve for:			
Encumbrances	$ 6,465	$ 8,655	$ 9,943
Advances to other funds and inventories	7,133	6,948	10,516
Unreserved:			
Designated	293	--	--
Undesignated	74,879	97,223	118,691
Total fund equity	88,770	112,826	139,150
Total Liabilities and Fund Equity	$198,832	$189,394	$222,016

Source: County of San Mateo General Purpose Financial Statements.

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Outstanding Indebtedness

Long-term Obligations. The following table sets forth the estimated long-term obligations of the County outstanding as of June 30, 2000, payable from revenues of the General Fund and the debt service requirements with respect to such obligations for fiscal year 2000-01.

Table 19
Outstanding Long-Term Obligations

Category of Obligation	Amount Outstanding as of June 30, 2000	Gross Debt Service Requirements Fiscal Year 2000-01
Lease Revenue Bonds	$255,560,000	$17,875,163
Capital Leases	1,580,000	695,000
Total	$257,104,000	$18,552,163

Authority Lease Revenue Bonds. Authority Lease Revenue Bonds include the following amounts outstanding as of June 30, 2000:

Authority Lease Revenue Bonds (Capital Projects Program) 1993 Refunding Series A, bearing (or accruing) interest at an average rate of 5.62%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2021	$65,245,000
Authority Lease Revenue Bonds Series of 1993 (North County Satellite Clinic Project), bearing (or accruing) interest at an average rate of 5.93%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2026	$2,725,000
Authority Lease Revenue Bonds (San Mateo County Health Center), 1994 Series A, bearing or accruing interest at an average rate of 6.35%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2029	$9,985,000
Authority Lease Revenue Bonds (Capital Projects), 1995 Series A, bearing or accruing interest at an average rate of 5.70%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2027	$2,280,000
Authority Lease Revenue Bonds (Capital Projects), 1997 Series A, bearing or accruing interest at an average rate of 5.18%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2032	$62,875,000
Authority Lease Revenue Bonds (Capital Projects), 1999 Refunding Series A, bearing or accruing interest at an average rate of 4.93%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2029	$112,450,000
Total	$255,560,000

County Debt Limit. In 1997, the County Board of Supervisors adopted a debt limit for the County. The debt limit restricts the amount of debt that can be incurred by the County to no greater than the amount that can be serviced by an amount not to exceed 4% of the average annual County budget for the current and the preceding four fiscal years. See "County Debt Limit" above.

Direct and Overlapping Debt

The County contains numerous cities, school districts and special purpose districts such as water, sewer and parking districts, a number of which have issued general obligation bonds.

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. The Debt Report is included for general information purposes only. The County did not participate in the preparation of the Debt Report and makes no representations as to its completeness or accuracy.

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

Table 20
SAN MATEO COUNTY
DIRECT AND OVERLAPPING DEBT STATEMENT

2000-01 Assessed Valuation:	$81,092,909,445	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	5,843,914,120	
Adjusted Assessed Valuation:	$75,248,995,325	

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 8/1/01
Jefferson and Sequoia Union High School Districts	100.000%	$ 69,920,000
Cabrillo Unified School District	100.000	31,046,263
South San Francisco Unified School District	100.000	37,684,954
San Mateo Union High School District	100.000	60,000,000
Laguna Salada School District	100.000	29,906,712
Redwood City School District	100.000	42,395,195
San Mateo-Foster City School District	100.000	88,106,187
Other School Districts	100.000	129,099,378
Cities	100.000	28,080,000
San Mateo Parking District	100.000	300,000
Estero Municipal Improvement District	100.000	17,700,000
Redwood City General Improvement District No. 1-64	100.000	8,655,000
Midpeninsula Regional Open Space Park	30.474	12,057,636
Other Special Districts	100.000	120,000
Community Facilities Districts	100.000	26,145,000
1915 Act Special Assessment Bonds	100.000	80,714,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$661,930,325
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
San Mateo County General Fund Obligations	100.000%	$246,055,384(1)
San Mateo County Board of Education Certificates of Participation	100.000	5,315,000
San Mateo County Flood Control District Certificates of Participation	100.000	15,175,000
School District General Fund Obligations	100.000	28,927,226
City of Burlingame General Fund Obligations	100.000	22,925,000
City of Redwood City General Fund Obligations	100.000	29,725,000
Other City General Fund Obligations	100.000	60,133,673
Midpeninsula Regional Open Space Park Certificates of Participation	30.474	22,193,672
Sanitary District Certificates of Participation	100.000	1,426,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$431,875,955
Less: City of Burlingame Certificates of Participation		14,655,000
Montara Sanitary District Certificates of Participation		410,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$416,810,955
GROSS COMBINED TOTAL DEBT		$1,093,806,280(2)
NET COMBINED TOTAL DEBT		$1,078,741,280

Ratios to 2000-01 Assessed Valuation:
Total Overlapping Tax and Assessment Debt.......... 0.82%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($246,055,384).......... 0.33%
Gross Combined Total Debt.......... 1.45%
Net Combined Total Debt.......... 1.43%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/00: $2,296,716

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

Source: California Municipal Statistics Inc.

APPENDIX B

BOOK-ENTRY SYSTEM

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2001 Bonds. The 2001 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered bond certificate will be issued for each maturity of each series of the 2001 Bonds, in the total aggregate principal amount due of such maturity of such series, and will be deposited with DTC.

DTC 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 securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 2001 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2001 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2001 Bond (the "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, but Beneficial Owners are 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 2001 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2001 Bonds, except in the event that use of the book-entry system for the 2001 Bonds is discontinued.

To facilitate subsequent transfers, all 2001 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 2001 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2001 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2001 Bonds are credited, which may or may not be the Beneficial Owners. The 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 Cede & Co. If less than all of the 2001 Bonds 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. will consent or vote with respect to the 2001 Bonds. Under its usual procedures, DTC will mail an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2001 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium and interest on the 2001 Bonds will be made to DTC or its nominee. DTC's practice is to credit Direct Participants' accounts on each payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. 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, the Authority, the County or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2001 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, security certificates are required to be printed and delivered as described in the Trust Agreement.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2001 Bond certificates will be printed and delivered as described in the Trust Agreement.

The Authority, the County and the Trustee cannot and do not give any assurances that DTC will distribute to DTC Participants, or that DTC Participants or others will distribute to the Beneficial Owners, payments of principal, interest and premium, if any, on the 2001 Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority, the County nor the Trustee is responsible or liable for the failure of DTC or any DTC Participants or Indirect Participants to make any payments or give any notice to a Beneficial Owner with respect to the 2001 Bonds or any error or delay relating thereto.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the 2001 Bonds, payment of principal, interest and other payments on the 2001 Bonds to DTC Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such 2001 Bonds and other related transactions by and between DTC, the DTC Participants, the Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2001 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR OWNERS OF THE 2001 BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2001 BONDS.

Discontinuance of DTC Services

In the event that (a) DTC determines not to continue to act as securities depository for the 2001 Bonds or (b) the Authority determines to remove DTC from its functions as a depository, DTC's role as securities depository for the 2001 Bonds and use of the book-entry system will be discontinued. If the Authority fails to select a qualified securities depository to replace DTC, the Authority will cause the Trustee to execute and deliver new 2001 Bonds in fully registered form in such denominations numbered in the manner determined by the Trustee and registered in the names of such persons as are required in a written request of the Authority. The Trustee shall not be required to deliver such new 2001 Bonds within a period of less than 60 days from the date of receipt of such written request of the Authority. Upon such registration, such persons in whose names the 2001 Bonds are registered will become the registered owners of the 2001 Bonds for all purposes.

In the event that the book-entry system is discontinued, the following provisions would also apply: (a) 2001 Bonds may be exchanged for a like aggregate principal amount of such 2001 Bonds of the same maturity of other authorized denominations; (b) the transfer of any 2001 Bond may be registered on the books maintained by the Trustee under the Trust Agreement for such purpose only upon the surrender thereof to the Trustee accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee; (c) for every exchange or transfer of 2001 Bonds, the Trustee shall require the payment by any Owner requesting such transfer or exchange of any tax or other governmental charge that may be imposed with respect to such exchange or registration of transfer; (d) the Trustee will not be required to transfer or exchange any 2001 Bond which has been selected for redemption in whole or in part from and after the day of mailing of a notice of redemption of such 2001 Bond selected for redemption or during the period established by the Trustee for selection of 2001 Bonds for redemption; (e) all interest payments on the 2001 Bonds will be made by check mailed by the Trustee to the Owners thereof to such Owner's address as it appears on the registration books maintained by the Trustee on the first day of the month next preceding such interest payment date; provided, that upon request of a Bondowner of $1,000,000 or more in aggregate principal amount of the 2001 Bonds received by the Trustee prior to the first day of the month next preceding an interest payment date, interest shall be paid by wire transfer in immediately available funds; and (f) all payments of principal, and any premium on the 2001 Bonds, will be made upon surrender thereof at the corporate trust office of the Trustee specified in the Trust Agreement.

APPENDIX C

AUDITED COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR 1999-2000

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

[To be prepared by Bond Counsel]

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[To be prepared by Bond Counsel]

APPENDIX F

PROPOSED FORM OF THE CONTINUING DISCLOSURE AGREEMENT

[To be prepared by Bond Counsel]

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APPENDIX G

DEBT SERVICE REQUIREMENTS ON THE BONDS

[To come from Underwriter]

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY