PRELIMINARY OFFICIAL STATEMENT DATED __________, 2008

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2008 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 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Bonds. See "TAX MATTERS."

NEW ISSUE – FULL BOOK ENTRY

Ratings: Moody's: ___
Standard & Poor's: ___
(See "RATINGS" herein.)

$_______

San Mateo County Joint Powers Financing Authority
Variable Rate Demand Refunding Lease Revenue Bonds
(Youth Services Campus)

$ ________ 2008 Series A **$ ________ 2008 Series B** **$ ________ 2008 Series C**

Dated: Date of Delivery

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 San Mateo County Joint Powers Financing Authority (the "Authority") is offering $_______ of its Variable Rate Demand Refunding Lease Revenue Bonds (Youth Services Campus), 2008 Series A, 2008 Series B and 2008 Series C (collectively, the "2008 Bonds"). The 2008 Bonds are being issued by the Authority pursuant to an Indenture, dated as of August 1, 2003, as amended and supplemented, including as supplemented by the First Supplemental Indenture, dated as of ____ 1, 2008 (collectively, the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee") for the purpose of providing funds, together with other available moneys, to refund the Authority's Outstanding Lease Revenue Bonds (Youth Services Campus), 2003 Series A, 2003 Series B and 2003 Series C (collectively, the "2003 Bonds"), to pay costs of issuance of the 2008 Bonds and to pay other costs relating to the refunding of the 2003 Bonds. See "PLAN OF REFUNDING" herein.

The 2008 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 2008 Bonds, and individual purchases of the 2008 Bonds will be made in book-entry form only. Principal or purchase price of, and interest on the 2008 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal or purchase price, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2008 Bonds, as described herein. See APPENDIX B – "BOOK-ENTRY SYSTEM" attached hereto.

The 2008 Bonds will be issued as variable rate demand obligations and will initially bear interest at a Weekly Interest Rate Period, as shown on the inside cover. However, at the election of the Authority, the Interest Rate Period for the 2008 Bonds may be converted to a Commercial Paper Interest Rate Period or a Long-Term Interest Rate Period, as described herein.

While bearing interest in a Weekly Interest Rate Period, interest on the 2008 Bonds will be payable on the first Business Day of each calendar month, beginning on ____ 1, 2008. While bearing interest in a Weekly Interest Rate Period, the 2008 Bonds will be delivered in denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000.

The 2008 Bonds are subject to optional, extraordinary and mandatory redemption prior to maturity, all as described herein. See "THE 2008 BONDS" herein.

The scheduled payment of principal of and interest on the 2008 Bonds when due will be guaranteed by a financial guaranty insurance policy to be issued concurrently with the delivery of the 2008 Bonds by Assured Guaranty Corp. (the "Insurer").

[ASSURED GUARANTY LOGO]

While the 2008 Bonds are in the Weekly Interest Rate Period, they are subject to optional and mandatory tender for purchase under the circumstances described herein. Funds for the payment of the purchase price of the 2008 Bonds that are so subject to optional tender or mandatory tender for purchase and that are not remarketed by the Remarketing Agents will be available (subject to certain conditions precedent and automatic termination events) under a Standby Bond Purchase Agreement, dated as of _______ 1, 2008 (the "Liquidity Facility"), between the Authority and ____ (the "Liquidity Facility Provider"), as the Liquidity Facility Provider.

[LIQUIDITY FACILITY PROVIDER LOGO]

The Liquidity Facility does not support, secure or guaranty the payments of the principal of, premium, if any, or interest on the 2008 Bonds. See "THE LIQUIDITY FACILITY" herein.

The 2008 Bonds are payable solely from, and secured solely by, Revenues of the Authority, consisting primarily of Base Rental Payments to be received by the Authority from the County of San Mateo (the "County") under a Facility Lease, dated as of August 1, 2003, as amended and supplemented, including as supplemented by the First Amendment to Facility Lease, dated as of ___ 1, 2008 (collectively, the "Facility Lease"), by and between the Authority and the County, for the right to use and possession of certain real property and facilities (the "Leased Property"), as more fully described herein. The County has agreed in the Facility Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event of delayed completion or material damage to or destruction of the Leased Property or a taking of the Leased Property in whole or in part.

The 2008 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 2008 Bonds nor for the payment of Base Rental Payments. Neither the payment of the principal of or interest on the 2008 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.

The 2008 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 Underwriters by Sidley Austin 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 2008 Bonds will be available for delivery through the DTC book-entry system in New York, New York, on or about _______ __, 2008.

Citi **Lehman Brothers**

_______ __, 2008

Maturity Schedules

$_______
San Mateo County Joint Powers Financing Authority
Variable Rate Demand Refunding Lease Revenue Bonds
(Youth Services Campus)

Dated Date: Date of Delivery   Price: 100%

$__________ 2008 Series A Bonds	Due: July 15, 20__	CUSIP:
$__________ 2008 Series B Bonds	Due: July 15, 20__	CUSIP:
$__________ 2008 Series C Bonds	Due: July 15, 20__	CUSIP:

COUNTY OF SAN MATEO

Board of Supervisors

Mark Church, First District
Jerry Hill, Second District
Richard Gordon, Third District
Rose Jacobs Gibson, Fourth District
Adrienne J. Tissier, Fifth District

County Officials

John L. Maltbie, County Manager
Tom Huening, County Controller
Lee Buffington, County Treasurer-Tax Collector
David S. Boesch, Assistant County Manager
Reyna Farrales, Deputy County Manager
Michael P. Murphy, County Counsel

SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY

Governing Board

Robert Sans, President
Marty D. Tarshes, Vice President
Paul T. Scannell, Secretary
Peggy Thompson, Member
Tom Casey, Member

SPECIAL SERVICES

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

California Financial Services
Santa Rosa, California
Financial Adviser

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

[Verification Agent]

No dealer, broker, salesperson or any 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 2008 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 2008 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.

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

IN CONNECTION WITH THIS OFFERING OF, THE 2008 BONDS THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2008 BONDS AT LEVELS ABOVE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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

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OFFICIAL STATEMENT

$_______

SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY
Variable Rate Demand Refunding Lease Revenue Bonds
(Youth Services Campus)
2008 Series A
2008 Series B
2008 Series C

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 2008 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not otherwise defined herein shall have the respective meanings assigned to them elsewhere in this Official Statement. See "APPENDIX D − SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE − Certain Definitions" herein.

THE TERM OF EACH SERIES OF THE 2008 BONDS WILL BE DIVIDED INTO RATE PERIODS (EACH, AN "INTEREST RATE PERIOD") AS DESCRIBED HEREIN. THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE 2008 BONDS (INCLUDING THE TERMS OF SUCH 2008 BONDS THAT CHANGE BASED ON THE INTEREST RATE PERIOD FOR SUCH 2008 BONDS) AFTER ADJUSTMENT FROM A WEEKLY INTEREST RATE PERIOD TO ANOTHER INTEREST RATE PERIOD.

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 $_______ Variable Rate Demand Refunding Lease Revenue Bonds (Youth Services Campus), 2008 Series A (the "2008 Series A Bonds"), 2008 Series B (the "2008 Series B Bonds") and 2008 Series C (the "2008 Series C Bonds" and, collectively with the 2008 Series A Bonds and the 2008 Series B Bonds, the "2008 Bonds").

The 2008 Bonds are being issued by the Authority for the purpose of providing funds, together with other available moneys, to refund the Authority's Outstanding Lease Revenue Bonds (Youth Services Campus), 2003 Series A (the "2003 Series A Bonds"), 2003 Series B (the "2003 Series B Bonds") and 2003 Series C (the "2003 Series C Bonds" and, collectively with the 2003 Series A Bonds and 2003 Series B Bonds, the "2003 Bonds") and to pay costs of issuance of the 2008 Bonds and other costs relating to the refunding of the 2003 Bonds. See "PLAN OF REFUNDING" herein.

Authority for Issuance of the 2008 Bonds

The 2008 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 an Indenture, dated as of August 1, 2003, as amended and supplemented, including as supplemented by the First Supplemental Indenture, dated as of ____ 1, 2008 (collectively, the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

Security for the 2008 Bonds

The 2008 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 Facility Lease, dated as of August 1, 2003 (the "Facility Lease"), by and between the Authority and the County. The Base Rental Payments to be made by the County pursuant to the Facility Lease are payable by the County from its General Fund to the Authority for the right to use and possession by the County of the real property and facilities comprising the new youth services campus [County to confirm that other facilities have been released] (collectively, the "Leased Property"). The County has agreed in the Facility Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event of 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 Site Lease, dated as of August 1, 2003, (the "Site Lease"), between the County and the Authority, the County has leased to the Authority the real property upon which the Leased Property is located.

[The County has agreed in the Facility Lease to utilize moneys in the Courthouse Construction Fund (described herein) to pay Base Rental Payments attributable to the juvenile court facilities portion of the Project or to pay the corresponding amount necessary to replenish the Reserve Fund. See "SECURITY FOR THE 2008 Bonds" herein.]

2008 Bonds Constitute Limited Obligations

The 2008 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 Indenture. 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 2008 Bonds nor for the payment of Base Rental Payments. Neither the payment of the principal of or interest on the 2008 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

Payment of the principal of and interest on the 2008 Bonds when due will be insured by a separate financial guaranty insurance policy (the "Policy") to be issued by Assured Guaranty Corp. (the "Bond Insurer") simultaneously with the delivery of the 2008 Bonds. See "BOND INSURANCE" herein.

Liquidity Facility

While the 2008 Bonds are in the Weekly Interest Rate Period, they are subject to optional tender and mandatory tender for purchase. Funds for the payment of the purchase price of 2008 Bonds that are so tendered for purchase and that are not remarketed by the Remarketing Agents will be available (subject to certain conditions precedent and automatic termination events) under the Standby Bond Purchase Agreement dated as of _______ 1, 2008 (the "Liquidity Facility"), between the Authority and ____, as the Liquidity Facility Provider (the "Liquidity Facility Provider"). The Liquidity Facility does not support, secure or guaranty the payments of the principal of, premium, if any, or interest on the 2008 Bonds. See "THE LIQUIDITY FACILITY" and "THE LIQUIDITY FACILITY PROVIDER" herein.

Remarketing Agents

Citigroup Global Markets Inc. has been appointed to serve as Remarketing Agent for the 2008 Series [A] Bonds and Series 2008 Series [B] Bonds and Lehman Brothers Inc. has been appointed to serve as Remarketing Agent for the Series 2008 Series [C] Bonds. The Remarketing Agents will carry out their duties and obligations in accordance with the Indenture and the Remarketing Agreements executed in connection with the Series 2008 Bonds.

No Continuing Disclosure

The 2008 Bonds are initially exempt from the rules of the U.S. Securities and Exchange Commission relating to continuing disclosure of annual financial information and certain material events. In connection with the issuance of prior bonds, the County covenanted to provide, or cause to be provided, to each nationally recognized municipal securities information repository (collectively, the "Repositories") for purposes of Rule 15c2-12(b)(5) adopted by the U.S. Securities and Exchange Commission ("Rule 15c2-12") certain annual financial information and operating data relating to the County and, in a timely manner, notice of certain material events. Bondholders may obtain from the Repositories such information provided by the County.

Summaries Not Definitive

Brief descriptions of the 2008 Bonds, the Authority, the County, the Leased Property and Liquidity Facility are included in this Official Statement, together with summaries of the Site Lease, the Facility Lease and the Indenture. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the 2008 Bonds, the Site Lease, the Facility Lease and the Indenture are qualified in their entirety by reference to the actual documents, or with respect to the 2008 Bonds, the forms thereof included in the Indenture, copies of all of which are available for inspection at the corporate trust office of the Trustee at 180 E. Fifth Street, St. Paul, Minnesota 55101.

Additional Information

The County regularly prepares a variety of publicly available reports, including audits, budgets and related documents. Any Owner of the 2008 Bonds may obtain a copy of any such report, as available, from the Trustee or the County. Additional information regarding this Official Statement may be obtained by contacting the Trustee or:

Ms. Reyna Farrales
Deputy County Manager
County of San Mateo
Hall of Justice and Records
400 County Center, First Floor
Redwood City, California 94063
(650) 363-4130

Prior Financing

The 2003 Bonds were originally issued in the aggregate principal amount of $155,350,000 pursuant to the Indenture and was applied to finance the construction, furnishing and equipping of a juvenile hall, a juvenile court, girls camp, community school, receiving home, group home and probation offices, containing an aggregate of 165,749 square feet, built on a County-owned site of approximately 40 acres (the "Project"). The Project was completed in late 2006 and constitutes the Leased Facilities under the Facility Lease. See "THE LEASED PROPERTY."

PLAN OF REFUNDING

The proceeds of the 2008 Bonds[, together with other available moneys,] will be used (i) to pay interest on the 2003 Series A Bonds and the 2003 Series B Bonds to and including _____, 2008 and to redeem the 2003 Series A Bonds and 2003 Series B Bonds on _____, 2008, at a redemption price equal to 100% of the principal amount thereof, plus any accrued interest thereon and (ii) to pay interest on the 2003 Series C Bonds to and including _____, 2008 and to redeem the 2003 Series C Bonds on _____, 2008, at a redemption price equal to 100% of the principal amount thereof, plus any accrued interest thereon.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2008 Bonds, are as follows:

Sources of Funds	
Principal Amount of 2008 Bonds	$
[Amounts on deposit in the Reserve Account for the 2003 Bonds]	
Total Sources	$
Uses of Funds	
Escrow Fund for the 2003 Bonds	$
[Deposit to the Reserve Account for the 2008 Bonds]	
Costs of Issuance(1)	
Total Uses	$

(1) Includes legal fees, financing and consulting fees, underwriters' discount, fees of bond counsel, printing costs, rating agency fees, liquidity facility fees and other miscellaneous expenses.

THE 2008 BONDS

The following is a summary of certain provisions of the 2008 Bonds while in a Weekly Interest Rate Period. Reference is made to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. This Official Statement is not intended to provide information with respect to the 2008 Bonds (including the terms of such 2008 Bonds) after adjustment from a Weekly Interest Rate Period to another Interest Rate Period or if such 2008 Bonds are no longer secured by the Liquidity Facility.

General

The 2008 Bonds will be executed and delivered in the aggregate principal amount of $_______. The 2008 Bonds will be prepared as fully registered bonds and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), such registered owner of 2008 Bonds being hereinafter referred to as the "Holder." DTC will act as securities depository for the 2008 Bonds. Principal and purchase price of, premium, if any, and interest on the 2008 Bonds are payable by the Trustee to DTC, which is obligated in turn to remit such principal and purchase price of, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2008 Bonds. See APPENDIX B – "BOOK-ENTRY ONLY SYSTEM" hereto.

Each Series of 2008 Bonds will initially bear interest at Weekly Interest Rates while in a Weekly Interest Rate Period. However, at the election of the Authority, the Interest Rate Period for the 2008 Bonds may be converted to a Long-Term Interest Rate Period or an Commercial Paper Interest Rate Period, all as described below.

During a Weekly Interest Rate Period, interest on the 2008 Bonds will be payable on the first Business Day of each calendar month. During a Weekly Interest Rate Period, the 2008 Bonds will be issued in denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000 and interest shall be computed on the basis of a

365-or 366-day year, as appropriate, and the actual number of days elapsed. THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE 2008 BONDS (INCLUDING CERTAIN TERMS OF SUCH 2008 BONDS WHICH CHANGE BASED ON THE INTEREST RATE PERIOD FOR THE 2008 BONDS) AFTER ADJUSTMENT FROM A WEEKLY INTEREST RATE PERIOD TO ANOTHER INTEREST RATE PERIOD.

At no time shall any 2008 Bonds (other than Liquidity Facility Bonds, as defined below) bear interest at a rate in excess of the Maximum Interest Rate, which is the lesser of 12% or the maximum rate of interest permitted by applicable law.

Citigroup Global Markets Inc. and Lehman Brothers Inc. will serve as the initial Remarketing Agents for the 2008 Bonds pursuant to Remarketing Agreements by and among the County and the Authority with each respective Remarketing Agents (each, a "Remarketing Agreement"). The Trustee will serve as the initial tender agent for the 2008 Bonds (the "Tender Agent").

There are a number of provisions in the Indenture relating to the terms of 2008 Bonds purchased by the Liquidity Facility Provider pursuant to the Liquidity Facility ("Liquidity Facility Bonds") which are not described in this Official Statement. All references to the terms of the 2008 Bonds in this Official Statement describe only 2008 Bonds which are not owned by the Liquidity Facility Provider unless expressly indicated herein.

Interest Rates and Interest Rate Periods

Interest Rate Periods. The initial Interest Rate Period for the 2008 Bonds shall be a Weekly Interest Rate Period and shall commence on the date of issuance of the 2008 Bonds. The Authority may elect that a Series of the 2008 Bonds be adjusted to another Interest Rate Period available for such Series, subject to the satisfaction of certain conditions specified in the Indenture, including, among other requirements, the delivery of a Favorable Opinion of Bond Counsel in connection with such adjustment.

Weekly Interest Rate Period. The Weekly Interest Rate for each Series of 2008 Bonds shall be determined by the Remarketing Agent by no later than 5:00 p.m., New York City time, on Tuesday of each week during a Weekly Interest Rate Period or if such day shall not be a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Tuesday (whether or not a Business Day). Thereafter, each Weekly Interest Rate shall apply to the period commencing on Wednesday (whether or not a Business Day) and ending on the next succeeding Tuesday (whether or not a Business Day), unless such Weekly Interest Rate Period shall end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on the Wednesday (whether or not a Business Day) preceding the last day of such Weekly Interest Rate Period and ending on the last day of such Weekly Interest Rate Period.

The Weekly Interest Rate for each Series of 2008 Bonds shall be the rate of interest per annum determined by the applicable Remarketing Agent to be the minimum interest rate which, if borne by such Series of 2008 Bonds, would enable the Remarketing Agent to sell the 2008 Bonds of such Series on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof.

If the Remarketing Agent fails to establish a Weekly Interest Rate for the applicable Series of 2008 Bonds for any week, then the Weekly Interest Rate for such Series of 2008 Bonds during such week shall be the same as the Weekly Interest Rate for such Series of 2008 Bonds for the immediately preceding week, if the Weekly Interest Rate for such Series of 2008 Bonds for such preceding week was determined by the Remarketing Agent. In the event the Remarketing Agent did not determine the Weekly Interest Rate for the 2008 Bonds of such Series for the immediately preceding week, or if the Weekly Interest Rate for the 2008 Bonds of such Series determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for the 2008 Bonds of such Series for such week shall be equal to a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry and Financial Markets Association ("SIFMA") or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the applicable Remarketing Agent and effective from such date.

Adjustment to an Alternate Interest Rate Period. The Authority may, by written direction to the County, the Trustee, the Tender Agent, the Liquidity Facility Provider and the applicable Remarketing Agent, elect to adjust the 2008 Bonds of a Series from the Weekly Interest Rate Period to a Long-Term Interest Rate Period, bearing interest in the Long-Term Interest Rate or a Commercial Paper Interest Rate Period, bearing interest in a Bond Interest Term Rate. Upon such election and satisfaction of certain conditions, all of the 2008 Bonds of such Series will be subject to the Long-Term Interest Rate Period or the Commercial Paper Interest Rate Period. The written direction of the Authority must specify (i) the proposed effective date of the adjustment to the Long-Term Interest Rate Period or the Commercial Paper Interest Rate Period and (ii) with respect to adjustment to a Long-Term Interest Rate Period, the redemption prices and periods and, with respect to adjustment to a Commercial Paper Interest Rate Period, the date of delivery of such 2008 Bonds to be purchased. In addition, the direction of the Authority shall be accompanied by (i) a Favorable Opinion of Bond Counsel and (ii) a form of the notice to be mailed by the Trustee to the Holders of the 2008 Bonds to be adjusted, as provided in the Indenture.

The Trustee is required to give notice (by registered or certified mail, or by telecopy confirmed by registered or certified mail) of the adjustment of a Series of 2008 Bonds to the Long-Term Interest Rate Period or the Commercial Paper Interest Rate Period not less than 15 days prior to the proposed effective date of such new Interest Rate Period. **While the 2008 Bonds are registered in the name of Cede & Co., such notice shall be given only to DTC, and not to any Beneficial Owner of the 2008 Bonds.** Such notice will state (i) that the Interest Rate Period on the 2008 Bonds will be adjusted to a Long-Term Interest Rate Period or a Commercial Paper Interest Rate Period, unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel or any condition precedent to such adjustment has not been satisfied; (ii) the proposed effective date of adjustment of such alternate Interest Rate Period; (iii) that such Series of 2008 Bonds are subject to mandatory tender for purchase on such effective date of adjustment; (iv) the applicable Purchase Price; and (v) the place of delivery for purchase of such 2008 Bonds.

If any condition precedent to the adjustment of 2008 Bonds have not been satisfied, such Series of 2008 Bonds (except, in the case of 2008 Bonds, which shall not be subject to mandatory tender) shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of adjustment. In such event, the Weekly Interest Rate Period for such Series of 2008 Bonds shall not be adjusted then such Series of 2008 Bonds shall continue to bear interest in the Weekly Interest Rate Period as in effect immediately prior to such proposed adjustment.

Rescission of Election to Convert to Alternate Interest Rate Period. Notwithstanding anything in the Indenture to the contrary, in connection with any adjustment of the Interest Rate Period for a Series of 2008 Bonds, the Authority shall have the right to deliver to the Trustee on or prior to 10:00 a.m., New York City time, on the Business Day preceding the proposed effective date of adjustment of any such adjustment, a notice to the effect that the Authority elects to rescind its election to make such adjustment. If the Authority rescinds its election to such adjustment, then the Interest Rate Period for the affected Series of 2008 Bonds shall not be adjusted and such Series of 2008 Bonds shall continue to bear interest in the Weekly Interest Rate Period in effect immediately prior to such proposed adjustment. In any event, if notice of a adjustment has been mailed to the Holders of such Series of 2008 Bonds and the Authority rescinds its election to make such adjustment, then (i) such Series of 2008 Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of adjustment and the Interest Rate Period shall not be adjusted and such Series of 2008 Bonds shall continue to bear interest in the Interest Rate Period in effect immediately prior to the proposed adjustment.

Purchase of 2008 Bonds

Tenders of 2008 Bonds Are Subject to DTC Procedures. As long as the book-entry only system is in effect with respect to the 2008 Bonds, all tenders for purchase and deliveries of 2008 Bonds tendered for purchase or subject to mandatory tender under the provisions of the Indenture shall be made pursuant to DTC's procedures as in effect from time to time, and neither the Authority, the Liquidity Facility Provider, the Trustee, the Tender Agent nor the Remarketing Agent shall have any responsibility for or liability with respect to the implementation of such procedures. For a description of the tender procedures through DTC, see "APPENDIX B – BOOK-ENTRY SYSTEM" hereto.

Tender for Purchase Upon Election of Holder During Weekly Interest Rate Period. During any Weekly Interest Rate Period, the Holder of any 2008 Bond (other than a Liquidity Facility Bond or 2008 Bonds owned by, for the account of, or on behalf of, the Authority or the County) may elect to tender such 2008 Bond for purchase on any Business Day at a purchase price equal to the principal amount thereof plus any accrued interest to but not including the date of purchase (the "Purchase Price"), upon delivery to the Tender Agent and Remarketing Agent of an irrevocable written notice which states the name, Series designation, the principal amount of the 2008 Bond tendered for purchase and the date on which such 2008 Bond is to be purchased, which date shall be a Business Day not prior to the seventh (7th) day next succeeding the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received by the Tender Agent on the next succeeding Business Day.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The 2008 Bonds (other than a Liquidity Facility Bond or 2008 Bonds owned by, for the account of, or on behalf of, the Authority or the County) shall be subject to mandatory tender for purchase at the applicable Purchase Price on the first day of each Weekly Interest Rate Period for the 2008 Bonds or on the day which would have been the first day of an Interest Rate Period for such 2008 Bonds had one of the events specified in the Indenture not occurred which resulted in the Weekly Interest Rate Period for such 2008 Bonds not being adjusted to a Long-Term Interest Rate Period or a Commercial Paper Interest Rate Period.

Mandatory Tender for Purchase Upon Substitution, Termination or Expiration of a Liquidity Facility. Each Series of the 2008 Bonds shall be subject to mandatory tender for purchase at the Purchase Price prior to the substitution of any Substitute Liquidity Facility and prior to the Noticed Termination Date or the Expiration Date (as such terms are defined in the Indenture).

Effect of Election to Tender or Mandatory Tender for Purchase of 2008 Bonds. The giving of notice by a Holder of a 2008 Bond to have its 2008 Bond purchased during a Weekly Interest Rate Period shall constitute the irrevocable tender for purchase of such 2008 Bond regardless of whether that 2008 Bond is delivered to the Tender Agent for purchase as provided in the Indenture. If funds in the amount of the applicable Purchase Price of a 2008 Bond tendered or deemed tendered for purchase in accordance with the Indenture are available for payment to the Holder of such 2008 Bond at the time specified for tender and delivery of such 2008 Bonds, (i) such 2008 Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Indenture, (ii) interest shall no longer accrue on such 2008 Bond; and (iii) funds in the amount of the Tender Price of such 2008 Bond will be held by the Tender Agent for the benefit of the Holder thereof, to be paid on delivery (and proper endorsement) of such 2008 Bond to the Tender Agent at its principal office for delivery of 2008 Bonds.

Sources of Funds for Payment of the Purchase Price. Funds for the purchase of 2008 Bonds that have been tendered for purchase, whether at the option of the Holders or pursuant to the mandatory tender requirements described herein, will be provided from the following sources:

First, moneys deposited in the Remarketing Proceeds Account;

Second, moneys deposited in the Liquidity Facility Account; and

Third, moneys deposited in the County Purchase Account.

Any moneys held by the Tender Agent in the County Purchase Account remaining unclaimed by the Owners of the purchased 2008 Bonds which were to have been purchased for one (1) year after the respective purchase date for such 2008 Bonds shall be paid, upon the written request of the County, to the County, against written receipt therefor. The owners of purchased 2008 Bonds who have not yet claimed money in respect of such 2008 Bonds shall thereafter be entitled to look only to the Tender Agent, to the extent it shall hold moneys on deposit in the Bond Purchase Fund or the County to the extent moneys have been transferred in accordance with the Indenture.

Redemption of 2008 Bonds

Optional Redemption while in a Weekly Interest Rate Period. While any Weekly Interest Rate Period is in effect with respect to the 2008 Bonds, the 2008 Bonds are subject to redemption prior to their stated maturity, at the option of the Authority (which option shall be exercised upon the request of the County), in whole or in part, in such amounts as may be specified by the Authority, on any date, at a redemption price equal to the principal amount of 2008 Bonds called for redemption, plus unpaid accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption. The 2008 Series A Bonds are also subject to mandatory redemption prior to their stated maturity, in part, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount of the 2008 Series A Bonds to be redeemed, together with unpaid accrued interest thereon to the date fixed for redemption, without premium:

2008 Series A Bonds

Year (July 15)	Amount
†	

†Final maturity.

The 2008 Series B Bonds are also subject to mandatory redemption prior to their stated maturity, in part, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount of the 2008 Series B Bonds to be redeemed, together with unpaid accrued interest thereon to the date fixed for redemption, without premium:

2008 Series B Bonds

Year (July 15)	Amount
†	

†Final maturity.

The 2008 Series C Bonds are also subject to mandatory redemption prior to their stated maturity, in part, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount of the 2008 Series C Bonds to be redeemed, together with unpaid accrued interest thereon to the date fixed for redemption, without premium:

2008 Series C Bonds

Year (July 15)	Amount
†	

†Final maturity.

Extraordinary Redemption. The 2008 Bonds are subject to redemption prior to their stated maturity, in whole or in part (in such amounts and from such Series and maturities as may be specified by the Authority) within each maturity, on any date, from hazard insurance or condemnation proceeds or other insurance proceeds received with respect to the Leased Property and pursuant to the Facility Lease and deposited in the Special Redemption Account, at a redemption price equal to the principal amount thereof, plus unpaid accrued interest to the date fixed for redemption, without premium.

Selection of 2008 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2008 Bonds of a Series, the Trustee shall select the 2008 Bonds to be redeemed from all 2008

Bonds of that Series, subject to redemption or such given portion thereof not previously called for redemption, by lot, in any manner which the Trustee in its sole discretion shall deem appropriate and fair, provided, however, that 2008 Bonds shall be redeemed in the following order of priority (and by lot within each priority):

First: Any 2008 Bonds of such Series which are Liquidity Facility Bonds; and

Second: Any other 2008 Bonds of such Series.

Notice of Redemption. The Indenture requires the Trustee to give notice of the redemption of any 2008 Bonds by mailing a notice of redemption of such 2008 Bonds, not less than 10 days nor more than 90 days before the redemption date, to the Holders of any 2008 Bonds or portions of 2008 Bonds which are to be redeemed, at their address appearing upon the registry books of the Trustee, with a copy to the Authority. The notice of redemption shall state the date of such notice, the Series designation and date of issue of the 2008 Bonds of such Series, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the maturity, the CUSIP numbers, if any, and, in the case of 2008 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Such notice shall also state that, subject to prior rescission as provided in the next paragraph, on said date there will become due and payable on each of said 2008 Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a 2008 Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2008 Bonds be then surrendered.

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

Failure by the Trustee to give notice pursuant to the Indenture to any one or more of the securities information services or depositories designated by the Authority, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to Indenture to any one or more of the respective Owners of any 2008 Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom such notice was mailed.

Special Considerations Relating to the 2008 Bonds [TO BE REVIEWED BY CITI]

The Remarketing Agent is Paid by the Authority. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Holders and potential purchasers of 2008 Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2008 Bonds for its own account and, in its sole discretion, routinely acquires such tendered 2008 Bonds in order to achieve a successful remarketing of the 2008 Bonds (i.e., because there otherwise are not enough buyers to purchase the 2008 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase 2008 Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2008 Bonds by routinely purchasing and selling 2008 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the 2008 Bonds. The Remarketing Agent may also sell any 2008 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2008 Bonds. The purchase of 2008 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2008

Bonds in the market than is actually the case. The practices described above also may result in fewer 2008 Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2008 Bonds bearing interest at the applicable interest rate at par (without regard to accrued interest, if any) on and as of the applicable [Rate Determination Date (as defined in the Remarketing Agreement). The interest rate will reflect, among other factors, the level of market demand for the 2008 Bonds (including whether the Remarketing Agent is willing to purchase 2008 Bonds for its own account).] There may or may not be 2008 Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2008 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell 2008 Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2008 Bonds at the remarketing price. In the event the Remarketing Agent owns any 2008 Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such 2008 Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell 2008 Bonds other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell 2008 Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Holders that wish to tender their 2008 Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2008 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2008 Bonds other than by tendering the 2008 Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2008 Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee may assume such duties as described in the Indenture.

At no time shall any 2008 Bonds bear interest at a rate in excess of the maximum lawful rate ("the Maximum Interest Rate"), which is currently 12% per annum.

The Depository Trust Company, or DTC, will act as the initial securities depository for each Series of the 2008 Bonds, which will be issued initially pursuant to a book-entry only system. See "APPENDIX B – BOOK-ENTRY SYSTEM" herein. Under the Indenture, the Authority may appoint a successor securities depository to DTC for the 2008 Bonds. The Holders of the 2008 Bonds have no right to a book-entry only system for the 2008 Bonds. The information under this caption, "THE 2008 Bonds" is subject in its entirety to the provisions described below under "APPENDIX B – BOOK-ENTRY SYSTEM" while the 2008 Bonds are in the book-entry only system.

THE LEASED PROPERTY

The Leased Property is comprised of a 40-acre County owned site on which the County has recently constructed a juvenile hall, a juvenile court, girls' camp, community school, receiving home, group home and probation offices. The multiple facilities contain an aggregate of 165,749 square feet. Construction of the facilities was completed in 2006, at an approximate aggregate cost of $125,000,000, including design, engineering, construction, furnishing, equipment and related costs. The County received a $21,105,000 federal grant administered by the State of California Board of Corrections to fund a potion of the costs of the Project.

SECURITY FOR THE 2008 BONDS

Pledge Under the Indenture

The Indenture provides that the 2008 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 Facility Lease as further described below, (b) interest and other income derived from certain funds held under the Indenture, 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 2008 Bonds) held by the Trustee in any fund or account established under the Indenture (other than the Rebate Fund), all under the terms and conditions set forth in the Indenture. The Authority has entered into a Swap in connection with the 2003 Bonds, and the Swap remains in effect. See "Swap Agreements" below. As and to the extent set forth in the Indenture, all the Revenues are irrevocably pledged for the security and payment of the 2008 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 Indenture.

The 2008 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 Indenture. 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 2008 Bonds nor for the payment of Base Rental Payments under the Facility Lease. Neither the payment of the principal of or interest on the 2008 Bonds nor the obligation to make Base Rental Payments under the 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.

Base Rental Payments

Revenues of the Authority pledged under the Indenture to the payment of the 2008 Bonds consist primarily of the Base Rental Payments to be made by the County to the Authority under the Facility Lease.

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 Facility Lease, including without limitation, the fees, costs and expenses and all administrative costs of the Authority related to the Leased Property.

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

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

[*Pledge of Courthouse Construction Fund.* Pursuant to the Facility Lease, the County has agreed to utilize moneys in the Courthouse Construction Fund, established by the County to deposit revenues derived from penalties imposed pursuant to Sections 76000 *et seq.* of the California Government Code (the "Courthouse Construction Fund"), to pay the Base Rental Payments attributable to the juvenile court facilities portion of the Leased Property or the corresponding amount necessary to replenish the Reserve Fund. Revenues in the Courthouse Construction Fund for the past five fiscal years have averaged $1.3 million. Other debt service payments funded by the Courthouse Construction Fund for court-related projects have averaged approximately $650,000. The remaining $650,000 in the Courthouse Construction Fund has been used for capital improvement projects at court facilities throughout the County.]

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

The County intends to calculate and budget the amount of Base Rental Payments and Additional Payments due based on the amount equal to the debt service on the outstanding 2008 Bonds, net of estimated amounts owing to or payable under a Swap Agreement in the case of 2008 Bonds with a related Swap Agreement, and in the case of 2008 Bonds which are not subject to a Swap Agreement, with interest calculated at a rate equal to 150% of the highest rate borne by such 2008 Bonds in the last 12 months, or with respect to the initial issuance of such 2008 Bonds at 150% of the highest rate borne by a comparable issue of bonds. In no event shall the County's appropriation for any rental payment period exceed **[**$19,288,000**]**. See "SECURITY FOR THE 2008 Bonds—Swap Agreements" herein. In the event that the Swap counterparty fails to make a payment, the County will seek supplemental appropriations to the extent permitted by law.

Insurance. The Leased Property will be insured to the extent set forth in the Facility Lease. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITY LEASE—Fire and Extended Coverage and Earthquake Insurance" and "- Rental Interruption or Use and Occupancy Insurance" herein. The Facility Lease requires the County to maintain or cause to be maintained insurance 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 earthquake insurance if available on the open market from reputable insurance companies at a reasonable cost, as determined by the County. The extended insurance coverage will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Leased Property, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to a deductible clause for any one loss of not to exceed $500,000), or, 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 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. The County currently insures all of its buildings against earthquake and flood damage through a $25 million property insurance policy, subject to the deductibles described herein. See "THE COUNTY OF SAN MATEO—Self-Insurance Programs" herein.

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 Facility Lease in an amount equal to maximum annual Base Rental Payments due under the Facility Lease for any two-year period, except that such insurance may be subject to a deductible clause of not to exceed $250,000 and except that such insurance need be maintained as to the peril of earthquake only if available on the open market from reputable insurance companies at a reasonable cost.

Abatement. Base Rental Payments are paid by the County in each rental payment period for and in consideration of the right of use and occupancy of the Leased Property during each such period for which said rental is to be paid. The Base Rental Payments will be abated proportionately during any period in which by reason of any damage or destruction (other than by condemnation which is otherwise provided for in the Facility Lease) there is substantial interference with the use and occupancy of any portion of the 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 Facility Lease continues in full force and effect and the County waives any right to terminate the Facility Lease by virtue of any such damage or destruction. In the event the 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 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 Facility Lease to enforce payment of Base Rental Payments. Upon any such default, including a failure to pay Base Rental Payments, the Trustee as assignee of the Authority may 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; provided the Trustee shall not have the right to terminate the Facility Lease or re-enter or re-let the Leased Property or any other possessing right to the Leased Property. **In the event of default, there is no remedy of the acceleration of the total Base Rental Payments due over the term of the Facility Lease, and the Trustee does not have any possessory right to the Leased Property.**

Events of Default under the Facility Lease include (i) the failure of the County to pay any rental payable under the Facility Lease when the same becomes due and payable, (ii) the failure of the County to keep, observe or perform any term, covenant or condition of the Facility Lease to be kept or performed by the County after notice and the elapse of a 60-day grace period and (iii) the bankruptcy or insolvency of the County.

For a further description of the provisions of the Facility Lease, including the terms thereof and a description of certain covenants therein, including construction, maintenance, utilities, taxes, assessments, insurance and events of default and available remedies, see "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Facility Lease" in APPENDIX D attached hereto.

For information regarding the County, see "THE COUNTY OF SAN MATEO" and "COUNTY FINANCIAL INFORMATION" below and APPENDIX A and APPENDIX C attached hereto. See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

Reserve Fund

[At the time of the issuance of the 2003 Bonds, there was deposited in the Reserve Fund established pursuant to the Indenture from the proceeds of the 2003 Bonds an amount sufficient to cause the amount on deposit therein to be at least equal to the Reserve Fund Requirement at the time of the issuance of the 2003 Bonds. Following issuance of the 2008 Bonds, 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 Series 2008 Bonds or for the retirement of all the Series 2008 Bonds then outstanding, except that so long as the Authority is not in default under the Indenture, 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 Revenue Fund, or, if so directed by the Authority, deposited into a Project Fund during construction of the Project on each July 15. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—Revenue Fund" herein.]

A surety bond, insurance policy or letter of credit may be issued to the Trustee, on behalf of the Bondowners, to be deposited in the Reserve Fund to meet the Reserve Fund Requirement and subject to the terms and conditions of the Indenture. Any such surety bond or insurance policy shall be issued by a company licensed to issue an insurance policy guaranteeing the timely payment of principal of and interest on the Series 2008 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 and any letter of credit shall be 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.

Substitution of Leased Property

Pursuant to the Facility Lease, the County and the Authority may substitute real property as part of the Leased Property being leased for purposes of the Site Lease and the 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 2008 Bonds, all of the following:

(a) Executed copies of the 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 Facility Lease or the Site 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, evidencing that the annual fair rental value of the Leased Property and the real property which will constitute the Leased Property after such substitution will at least equal 100% of the maximum amount of Base Rental Payments becoming due in the then current year ending July 14 or in any subsequent year ending July 14;

(d) A Certificate of the County stating that, based upon review of such instruments, certificates or any other matters described in such Certificate of the County, the County has good merchantable title to the 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 is satisfactory and sufficient for the needs and operations of the County;

(e) A Certificate of the County stating that such substitution does not adversely affect the County’s use and occupancy of the 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 Facility Lease; (ii) complies with the terms of the Constitution and laws of the State and of the Facility Lease; (iii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the County; and (iv) will not cause the interest on the 2008 Bonds and any Additional Bonds to be included in gross income for federal income tax purposes.

Additional Bonds

In addition to the 2008 Bonds, the Authority and the Trustee may, by supplemental Indenture provide for the issuance of Additional Bonds, subject to satisfaction of certain provisions contained in the Indenture. Additional Bonds will be payable from the Revenues as provided in the Indenture 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 Indenture, subject to the terms and conditions of the Indenture. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—Additional Bonds” herein. See also “COUNTY FINANCIAL INFORMATION—County Debt Limit” herein. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—Pledge of Revenues; Creation of Special Funds and Accounts” herein.

Swap Agreements

At the time of issuance of the 2003 Bonds, the Authority entered into interest rate swap agreements (the “Swap Agreements”) with Citibank, N.A., New York and with American International Group, Inc. (AIG) (the “Swap Providers”) for the purpose of synthetically fixing the interest rate paid by the Authority on the Series 2003A and 2003B Bonds (aggregating approximately $132 million). These Swap Agreements will continue in effect following the issuance of the 2008 Bonds. Under the terms of the Swaps, the Authority is obligated to pay a fixed rate of 3.33% and the Swap Providers pay a rate based upon 55% of One-Month LIBOR + 0.29%. Payments to, or received from the Swap Providers will be paid from or deposited into the Interest Account. Under certain circumstances, the Swap Agreements are subject to early termination prior to their respective scheduled termination dates and maturity of the 2008 Bonds, in which event the Authority may be obligated to make substantial payments to the Swap Providers as applicable and the County may be required to make a supplemental appropriation for such purpose. Neither the holders of the Series 2008 Bonds nor any other person other than the Authority will have any other rights under the Swap Agreements or against the Swap Providers.

The agreements by the Swap Providers to make payments under the Swap Agreements does not affect the Authority's obligation to make payment on the Series 2008 Bonds. For budgetary purposes, the County intends to calculate and budget the Base Rental Payments due with respect to interest payable on the Series Bonds based on the amount payable under the Swaps, with respect to the Series 2008A and 2008B Bonds, and, with respect to the Series 2008C Bonds at a rate equal to ___% of the highest rate borne by such 2008C Bonds in the last 12 months. In no event shall the County's rental obligation for any annual rental payment period exceed $________ .

BOND INSURANCE

The information relating to the Policy and the Bond Insurer, set forth in this section and in "APPENDIX F – SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY" hereto, have been furnished by Assured Guaranty Corp., and none of the Authority, the County or the Underwriters makes any representations with respect thereto or assume any responsibility therefor.

The following information is not complete and reference is made to Appendix F for a specimen of the financial guaranty insurance policies (each, a "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Bond Insurer").

The Insurance Policy

The Bond Insurer has made a commitment to issue the Policy relating to the 2008 Bonds, effective as of the date of issuance of such 2008 Bonds. Under the terms of the Policy, the Bond Insurer will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the 2008 Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the 2008 Bonds, the stated maturity date thereof, or the date on which such 2008 Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless the Bond Insurer in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such 2008 Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the 2008 Bonds. It is further understood that the term Nonpayment in respect of a 2008 Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such 2008 Bond in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

The Bond Insurer will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which the Bond Insurer shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

The Bond Insurer shall be fully subrogated to the rights of the Holders of the 2008 Bonds to receive payments in respect of the Insured Payments to the extent of any payment by the Bond Insurer under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" by Fitch, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Capitalization of Assured Guaranty Corp.

As of March 31, 2008, Assured Guaranty had total admitted assets of $1,518,398,730 (unaudited), total liabilities of $1,138,285,708 (unaudited), total surplus of $380,113,022 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,001,533,924 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of $1,361,538,502 (audited), total liabilities of $961,967,238 (audited), total surplus of $399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of $982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the Securities and Exchange Commission (the "SEC") on February 29, 2008);

- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 (which was filed by AGL with the SEC on May 9, 2008); and

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the 2008 Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "Bond Insurance – The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at http://www.sec.gov and at AGL's web site at http://www.assuredguaranty.com, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the 2008 Bonds or the advisability of investing in the 2008 Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "Bond Insurance."

THE LIQUIDITY FACILITY

[To Come]

THE LIQUIDITY FACILITY PROVIDER

[To Come]

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 707,163 persons according to the 2000 U.S. Census and 739,469 persons according to the California Department of Finance population estimates as of January 1, 2008. The county seat is located in Redwood City.

As of January 1, 2008, approximately 65,844 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 and operates a crime suppression unit there.

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, Assistant County Manager, Treasurer-Tax Collector and Controller follow:

Mark Church was elected to the Board in 2000 and assumed office in January 2001. He served as Board President in 2004 and currently serves as Vice President. He previously served as Mayor (1997-1998) and City Councilman (1995-1999) for the City of Millbrae. Supervisor Church is a third generation Californian 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 numerous agencies. He presently serves as Chair of the Board's Finance and Operations Committee, Vice Chair of the Board's Criminal Justice Committee, Chair of the San Francisco International Airport/Community Roundtable, Chair of the San Mateo County Domestic Violence Council and Co-Chair of the San Mateo County Child Care Partnership Council. He is a past Chair and current member of the San Mateo County Transportation Authority. Supervisor Church was appointed to the State Seismic Safety Commission by Governor Davis in 2001 and reappointed by Governor Schwarzenegger in 2008 to represent local government throughout the State of California.

Rose Jacobs Gibson was appointed to the Board in 1999 and was elected to a second four-year term in March 2004. In 2007, Supervisor Jacobs Gibson served her second term as President of the Board. Supervisor Jacobs Gibson represents the 4th District, which includes the communities of Redwood City, Menlo Park, East Palo Alto, and unincorporated North Fair Oaks and Oak Knoll. Supervisor Jacobs Gibson served on the East Palo Alto City Council from 1992 to 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 is currently President of the Association of Bay Area Governments (ABAG), and serves on the California State Association of Counties (CSAC) Health and Human

Services Committee, City/County Association of Governments (C/CAG) Executive Board, National Association of Counties (NACO) Human Services and Education Steering Committee, Housing Endowment and Regional Trust (HEART) Board, Juvenile Justice and Delinquency Prevention Commission, Redwood City 2020, Emergency Services Council, and the AIDS Program Community Advisory Board. She also serves as Chair of the Board's Legislative Committee and Vice Chair of the Board's Housing, Health and Human Services Committee. Supervisor Jacobs Gibson is a single mother, grandmother and resident of the City of East Palo Alto.

Richard S. Gordon was elected to the Board in April 1997. He is a third generation Californian and currently resides in an unincorporated neighborhood of Menlo Park. He received his Bachelors of Arts degree in 1970 from the University of Southern California, where he majored in Sociology. Supervisor Gordon was an ordained minister in the United Methodist Church for five years earning a Masters of Divinity from Garrett Seminary at Northwestern University in 1973. Prior to his election to the Board, Supervisor Gordon served as a member of the County Board of Education from 1992 to 1997. His professional background is in nonprofit administration and for twenty years he led successful nonprofit, community benefit agencies in San Mateo County including Youth and Family Assistance. As a member of the Board, Supervisor Gordon is the current President of the California State Association of Counties and also serves on the Bay Conservation and Development Commission, the Transportation Authority, the Health Plan of San Mateo, and the Local Agency Formation Commission. Supervisor Gordon also serves as Chair of the Board's Environmental Quality Committee and Vice Chair of the Board's Finance and Operations Committee. He is the liaison to the San Mateo County Youth Commission and the Mental Health Advisory Board.

Jerry Hill was elected to the Board of Supervisors 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 a board member of SamTrans, the Bay Area Air Quality Management District, San Mateo Medical Center Board of Directors, Peninsula Policy Partnership, Regional Agency Coordinating Committee and an alternate on the Bay Conservation and Development Commission. Supervisor Hill also serves as Chair of the Board's Housing, Health and Human Services Committee and as Vice Chair of the Board's Environmental Quality Committee.

Adrienne J. Tissier was elected to the Board of Supervisors in November 2004 and assumed office in January 2005. Prior to joining the Board, Supervisor Tissier served as a councilmember in Daly City for eight years, including two terms as Mayor. Supervisor Tissier is the current President of the Board of Supervisors and Chair of the SamTrans Board of Directors, serves on the Metropolitan Transportation Commission, chairing the Program and Allocations Committee. Supervisor Tissier also serves on the County's Jail Overcrowding Task Force, serves as Chair of the Board's Criminal Justice Committee and Vice Chair for the Board's Legislative Committee. She is also the Board of Supervisors liaison to the Commission on Aging and the Commission on the Status of Women and has been deeply involved in a countywide plan to improve transportation and mobility options for seniors. A Bay Area native, Supervisor Tissier is a lifelong San Mateo County resident and holds an economics degree from the University of California, Berkeley.

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.

David S. Boesch has served as Assistant County Manager since early 2007. He served as City Manager of Menlo Park from 2000 to 2007 and prior to that was Director of Community Development in Sunnyvale. He also held posts in Nashua, N.H., Park City, Utah, and Orem, Utah. He received a master's degree in Public Administration from the John F. Kennedy School of Government at Harvard University and a bachelor's degree in Urban Planning from the University of Utah.

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 and elected to his first four-year term in June 1986. 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 of Supervisors 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 a Certified Public Accountant, a Certified Public Finance Officer and a Certified Internal Auditor. He is also licensed to practice law in the State. He is a retired airline pilot. Mr. Huening is actively involved in numerous County organizations.

County Services

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

Justice Services. The County criminal justice system is supported primarily by local County revenues and State funding. State legislation adopted in 1997 transferred responsibility from the counties to the State for local trial court operations. The County continues to be obligated to provide court facilities for all judicial officers and support positions authorized prior to July 1, 1996. This includes those judicial officers and positions which replace those officers and positions created prior to July 1, 1996.

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 2006–07, the average daily inmate population of all County's jails, which consists of the Maguire Correctional Facility, the Women's Correctional Center, the Minimum Security Transitional Facility and the Weekender Dorm, was 1,200 inmates. The County also operates work furlough programs and an electronic monitoring program.

The County maintains a juvenile justice facility within a youth services center, which was financed with the proceeds of the 2003 Bonds. The 300,000 square foot youth services center includes a 180-bed juvenile hall, a 30-bed girls camp, a group home with 24 beds, juvenile courts, probation offices, administration and education building and a health clinic.

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. These services are provided under two County departments—the Health Services Agency and the San Mateo Medical Center. The County is also responsible for all medical care of the indigent pursuant to State law. The County provides services to all County residents regardless of their ability to pay.

The County's Health Services Agency provides a variety of health services including emergency medical services, aging and adult services, environmental health services, food and nutrition services, mental health services, public health services and correctional health services.

The County General Fund cost of all health services programs (net of State and federal reimbursements and other revenue) is budgeted at $107 million in the adopted budget for fiscal year 2007-08. This represents an increase of $13.5 million from fiscal year 2006-07's budget of $93.5 million. The Board approved $581.4 million for fiscal year 2007-08 in total expenditures for all health services programs in the adopted budget, or approximately 33.66% of the County's General Fund expenditures.

The San Mateo Medical Center (the "Medical Center") consists of a 227-bed acute and long-term care hospital, a 275-bed long-term care facility and 12 clinics. The hospital provides a full array of emergency, in-patient, psychiatric, imaging, laboratory, specialty health, skilled nursing, and surgical services. The clinics provide community-oriented primary and specialty care across the County and provided more than 212,000 ambulatory visits to County residents in the past year. In fiscal year 2006-07 the Medical Center received a $68.6 million contribution from the General Fund. The contribution from the General Fund for fiscal year 2007-08 will be $72.2 million. See "COUNTY FINANCIAL INFORMATION—Indebtedness" herein for a description of the financing of the County Health Center and Appendix C – "AUDITED COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR 2006-2007."

The adopted budget for the Medical Center, including capital purchases, is $235.7 million for fiscal year 2007-08, an increase of 5.5% over fiscal year 2006–07. The Medical Center budget will depend largely upon net patient revenue, including the Medi-Cal program, of $104.4 million for fiscal year 2007–08.

Human Services. The County provides a variety of services through its Human Services Agency including housing, employment services, vocational rehabilitation, child care services, alcohol and other drug treatment services, children and family services, out-of-home placement and administration of welfare aid payments.

The County General Fund cost of all human services programs (net of State and federal reimbursements and other revenue) is budgeted at $25.8 million in the adopted budget for fiscal year 2007-08. This represents a 10.5% increase from fiscal year 2006-07. The Board approved $208.3 million in total expenditures for all human services programs in the adopted budget for fiscal year 2007-08 or approximately 17.2% of the County's General Fund expenditures. Approximately 55.8% of the cost of all human service programs is funded with State funds and approximately 25.1% of the cost is funded with federal funds.

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

The San Mateo Office of Emergency Services (OES), a division of the 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.

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 over 380,000 registered voters and provides 553 voting precincts and 281 polling places throughout the County.

Parks and Recreation. The County operates a network of seventeen parks and recreational facilities which serve over 2.1 million park visitors annually. The County park system encompasses 14,119 acres and contains reservable buildings, campgrounds and shelters.

Libraries. The County operates a library system, governed by a Joint Powers Authority, and is comprised of 12 community libraries and one bookmobile. The network of libraries serves approximately 2.3 million visitors annually.

County Employment

As of June 30, 2007, the number of permanent employment positions was 5,719. 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)]

1997	4,717
1998	4,791
1999	4,641
2000	4,750
2001	4,834
2002	5,031
2003	5,062
2004	5,330
2005	5,285
2006	5,547
2007	5,719

(1) Excludes Court employees beginning in 1999.
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 63% of all County employees in a variety of classifications.

There has never been any major work stoppage by County employees. About 88% of all County employees are covered under negotiated agreements. Labor contracts are in place through October 31, 2009 for the majority of County employees. Labor contracts are in place for Registered Nurses through January 25, 2009; for Deputy Sheriffs through January 7, 2012; for Probation Officers through May 29, 2010; and for Physicians through August 7, 2010. 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
(As of May 1, 2008)

Bargaining Agents	Number of Employees[1]
AFSCME	1,960
California Nurses Association	393
Deputy Sheriffs Association	405
SEIU	1,414
Building Construction and Trades Council	87
Union of American Physicians and Dentists	94
San Mateo County Council of Engineers	14
Probation and Detention Association	292
Organization of Sheriff's Sergeants	52
Non-represented employees:	
Unrepresented Attorneys	75
Confidential	82
Management	477

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

COUNTY FINANCIAL INFORMATION

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

Budget Procedure, Historical Budget Information and Fiscal Year 2007-08 Adopted Budget

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 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 current year budget to the Board. The Board is required by the County Budget Act to adopt a recommended current year 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 but often subject to delay), 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.

The County's Budget for fiscal year 2007-08 was adopted on September 25, 2007.

The following tables present, (i) the County's adopted budget for the 2004-05, 2005-06, 2006-07 and 2007-08 fiscal years (ii) with respect to the County's general fund, the County's statement of revenue and expenses for each of the past five fiscal years ended June 30, 2003 through June 30, 2007, and (iii) with respect to the County's general fund, the County's general balance sheet as of June 30 for each of the past five fiscal years ended June 30, 2003 through June 30, 2007.

Table 3
COUNTY OF SAN MATEO
COUNTY BUDGET – GENERAL FUND

	Adopted 2004-05 Budget	Adopted 2005-06 Budget	Adopted 2006-07 Budget	Adopted 2007-08 Budget
REQUIREMENTS:				
General Government	$234,311,833	$320,398,323	$354,301,810	$337,431,952
Public Protection	248,019,389	262,135,901	290,603,184	302,774,770
Public Ways and Facilities				
Health and Sanitation	220,697,643	240,042,106	274,481,600	297,060,474
Public Assistance	191,920,536	212,091,891	221,883,133	237,473,079
Education				
Recreation and Culture	7,227,469	7,649,475	7,979,406	8,730,980
Other Financing Uses				
Contingencies Requirement	23,501,594	26,242,710	28,243,170	29,524,837
Total Requirements	$925,678,464	$1,068,560,406	$1,177,492,303	$1,212,996,092
AVAILABLE FUNDS:				
Available Fund Balance	$186,589,758	$248,874,002	$303,853,169	$306,090,633
Taxes	163,346,403	238,747,060	273,137,267	288,021,972
Licenses, Permits & Franchises	5,126,498	5,540,550	5,877,719	6,414,205
Fines, Forfeits & Penalties	6,735,109	6,897,389	7,514,195	7,974,919
Use of Money & Property	11,347,253	10,865,209	11,552,944	18,289,423
Intergovernmental Revenue	390,001,288	388,339,325	395,836,496	394,611,618
Charges for Services	79,137,156	83,043,267	84,919,980	91,225,550
Interfund Revenues	57,536,520	60,514,415	68,218,320	70,791,949
Miscellaneous Revenue	25,403,479	25,244,871	26,082,095	28,862,685
Other Financing Sources	455,000	494,318	500,118	713,138
Total Available Funds	$925,678,464	$1,068,560,406	$1,177,492,303	$1,212,996,092

Source: County of San Mateo Controller

Table 4
COUNTY OF SAN MATEO
COMBINED STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEARS ENDED JUNE 30, 2003, 2004, 2005, 2006 AND 2007
($ in Thousands)

	2002-03	2003-04	2004-05	2005-06	2006-07
REVENUES					
Taxes	$155,458	$188,902	$214,243	$305,775	$316,463
Licenses and Permits	3,901	4,883	5,928	7,053	6,627
Use of Money and Property[1]	17,507	-	-	-	-
Aid From Governmental Agencies	360,540	380,739	407,055	351,744	375,542
Charges for Services	77,040	76,717	77,943	88,427	77,143
Fines, Forfeitures and Penalties	7,744	8,489	7,716	8,164	8,415
Rents and Concessions[1]	-	946	916	833	1,035
Investment Income[1]	-	4,150	11,929	12,383	25,697
Securities Lending Activities:					
Securities Lending Income	-	412	1,222	2,456	2,929
Securities Lending Expenditures	-	(349)	(1,137)	(2,377)	(2,857)
Other	13,605	28,897	28,534	24,902	16,914
TOTAL REVENUES	$635,795	$693,786	$754,349	$799,360	$827,908
EXPENDITURES					
Current:					
General Government	$49,842	$51,535	$50,113	$56,412	$54,967
Public Protection	208,833	225,399	229,213	239,764	261,840
Health and Sanitation	127,146	131,377	143,015	140,375	171,419
Public Assistance	170,225	181,075	181,769	192,731	206,289
Education	192	145	118	141	-
Recreation	7,018	6,682	6,566	7,310	7,609
Capital Outlay	2,337	2,911	3,659	4,545	15,701
Debt Service:					
Principal Retirement	143	156	26	26	28
Interest	15	8	6	5	3
TOTAL EXPENDITURES	$565,751	$599,288	$614,485	$641,309	$717,856
EXCESS OF REVENUES OVER EXPENDITURES	$70,044	$94,498	$139,864	$158,051	$110,052
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	$1,031	$2,061	$789	$504	$3,481
Operating Transfers Out[2]	(55,424)	(91,256)	(76,915)	(104,560)	(142,647)
Proceeds From Sale of Capital Assets	-	-	2	1	2
Capital Leases	-	-	-	-	30
Total Other Financing Sources (Uses)	(54,393)	(89,195)	(76,124)	(104,055)	(139,134)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$15,651	$5,303	$63,740	$53,996	($29,082)
Fund Balance, Beginning of Year	$223,618	$239,269	$244,572	$308,312	$362,308
Fund Balance, End of Year	$239,269	$244,572	$308,312	$362,308	$333,226

(1) Starting in fiscal year 2003-04, Use of Money and Property was re-categorized as Rents and Concessions and Investment Income.
(2) Transfers from the General Fund consist primarily of the subsidy to the County's Medical Center Enterprise Fund. Transfers from the General Fund are also made to other County Funds, including payments made for the General Fund portion of capital projects, debt service and in-home supportive services.

Source: County of San Mateo General Purpose Financial Statements.

Table 5
COUNTY OF SAN MATEO
GENERAL FUND
COMBINED BALANCE SHEET
AT JUNE 30, 2003, 2004, 2005, 2006 AND 2007
($ in Thousands)

	June 30,				
	2003	**2004**	**2005**	**2006**	**2007**
ASSETS:					
Cash and Investments	$229,235	$226,340	$303,847	$356,052	$363,487
Securities Lending Collateral	39,089	38,882	55,500	56,127	67,648
Receivables					
Taxes, net of allowances for uncollectible amounts	16,086	14,196	13,647	13,096	15,058
Accounts, net of allowances for uncollectible amounts	11,242	11,525	12,559	17,888	15,160
Mortgage[(1)]	-	-	-	-	57,028
Interest	3,240	2,021	3,076	6,795	5,767
Other	23,638	22,626	24,283	22,576	21,465
Due from Other Governmental Agencies	51,064	77,590	112,034	116,318	130,745
Due from Other Funds	15,778	10,475	9,839	6,195	10,394
Advances to Other Funds	4,995	21,977	14,716	26,028	5,857
Inventory	104	164	55	64	86
Other Assets	51	50	60	54	51
TOTAL ASSETS	$394,522	$425,846	$549,616	$621,193	$692,746
LIABILITIES:					
Accounts Payable	$15,399	$20,267	$22,839	$19,974	$28,086
Accrued Salaries and Benefits	7,816	11,263	13,308	18,157	17,460
Securities Lending Collateral – Due to Borrowers	39,089	38,882	55,500	56,127	67,648
Due to Other Funds	949	761	7,706	6,892	5,942
Due to Other Governmental Agencies	31,221	30,210	33,390	15,927	21,417
Advances from Other Funds	3,000	3,000	3,000	3,000	-
Deposits	10	10	10	10	10
Deferred Revenues	57,769	76,881	105,551	138,798	218,957
Total Liabilities	$155,253	$181,274	$241,304	$258,885	$359,520
Reserved for:					
Encumbrances	$ 11,274	$ 2,902	$ 3,070	$ 3,737	$ 3,209
Advances to other funds and inventories	5,099	22,141	14,771	26,092	5,943
Unreserved:					
Designated	-	-	-	-	-
Undesignated	222,896	219,529	290,471	332,479	324,074
TOTAL LIABILITIES	$394,522	$425,846	$549,616	$621,193	$692,746

(1) In fiscal year 2006-07, the methodology for calculating mortgages receivable related to County-administered loans was revised. Loans are made to first-time home buyers and developers with funding primarily provided by the federal Community Development Block Grant (CDBG) and HOME programs. As a result of this change in methodology, loans are reported as mortgage receivables.

Source: County of San Mateo Controller.

Major Revenues

The County derives its revenues from a variety of sources including ad valorem property taxes, sales and use taxes, licenses and permits issued by the County, use of County property and money, aid from federal and State governmental agencies, charges for services provided by the County and other miscellaneous revenues. For fiscal years 2006-07 and 2007-08, the approximate percentages of the County's total Governmental Funds revenues were derived as follows:

Table 6
COUNTY OF SAN MATEO
BREAKDOWN OF BUDGETED REVENUE SOURCES
FOR FISCAL YEARS 2006-07 and 2007-08

	Budgeted 2006-07	Budgeted 2007-08
Taxes	24.02%	23.93%
Licenses, Permits and Franchises	0.91	0.88
Fines, Forfeitures and Penalties	0.70	0.75
Use of County Property and Money	1.23	1.71
Aid from Federal Agencies	8.53	7.74
Aid from State	26.90	27.46
Aid from Local Agencies	0.56	0.67
Charges for Services	18.49	17.39
Interfund Revenue	8.20	8.18
Miscellaneous Other Revenues	10.46	11.29
Total	100.00%	100.00%

Source: County of San Mateo Controller.

Intergovernmental Revenues; Impact of State Financial Situation on County

Aid from other Governmental Agencies is one of the County's largest revenue sources, accounting for $472.7 million in the County's adopted budget for fiscal year 2007 08, or approximately 35.9% of the County's total revenues. The County derives approximately 35.2% of its revenues from State and federal sources. As described herein, the State is currently experiencing budgetary difficulties. See "STATE OF CALIFORNIA BUDGET INFORMATION."

State Budget Impact. On January 10, 2008, the Governor submitted the fiscal year 2008-09 Proposed State Budget (the "2008-09 Governor's Budget"). On May 14, 2008, the Governor released the May Revision to the 2008-09 Governor's Budget (the "May Revision"). If the 2008-09 Governor's Budget and May Revisions submitted by the Governor is adopted in its current form, the County is estimated to lose approximately $20.5 million in cuts during fiscal year 2008-09.

Key state budget issues of interest to the County include:

- $3.1 million in reductions to the Human Services Agency programs including CalWORKs assistance payments, Child Welfare Services and CalWORKs eligibility determination

- $3.6 million in reductions to the County's Medical Center due to the 10% across the board reductions and the proposed shift of federal safety net care pool payments away from public hospitals to other programs currently funded by the State

- $5.8 million in reductions to the Health Department due to the 10% across the board reductions and the proposed reductions in In-Home Supportive Services rates from $11.50 per hour to the state minimum wage of $8.00 per hour

- $8 million in reductions to local public safety subventions including complete elimination of funding for the Juvenile Justice Crime Prevention Act, Juvenile Probation and Camp Funding, Mentally Ill Offender and Crime Reduction program and booking fees

For information on regard the 2008-09 Governor's Budget, see "STATE OF CALIFORNIA BUDGET INFORMATION—Proposed 2008-09 Governor's Budget" herein.

Ad Valorem Property Taxes

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the fiscal year. Such property may thereafter be prepaid by payment of the delinquent taxes and the delinquency penalty, plus a prepayment penalty of one and one-half percent per month to the time of prepayment. 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 1 lien date and become delinquent, if unpaid on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1. The County has four ways of collecting unsecured personal property taxes: (1) filing 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 judgment 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 of personal property, improvements or possessory interests belonging or assessed to the assessee.

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

Set forth below is certain information regarding County property tax collections. During fiscal year 2006-07, these tax collections, after the transfer required by State law to the Educational Revenue Augmentation Fund ("ERAF") which the State maintains for schools, were allocated approximately 14.19% to the County of San Mateo, 12.22% to the cities, 9.73% to the special districts and 63.86% to the schools within the County. The 63.86% apportioned to the schools includes the ERAF shift of 13.05%.

Table 7
COUNTY OF SAN MATEO
SUMMARY OF TAX LEVIES AND COLLECTIONS[1]
FISCAL YEARS 1997-98 THROUGH 2006-07

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[2]
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
2000–01	96,252,511	1,371,598	1.42	9,594,212
2001–02	108,190,101	2,189,768	2.02	10,365,592
2002–03	114,174,462	1,988,919	1.74	12,247,367
2003-04	120,897,792	2,040,755	1.69	14,283,252
2004-05	128,953,560	2,144,543	1.64	12,182,959
2005-06	140,328,127	1,866,364	1.33	13,500,067
2006-07	152,677,203	2,942,090	1.09	14,181,594

UNSECURED PROPERTY TAX ROLL

Fiscal Year	Unsecured Property Levy at June 30	Total Current and Non-Current Levy Collections[2]	Percentage of Total Collections to Original Levy
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
2000–01	11,992,089	12,709,591	105.9
2001–02	13,007,663	13,533,048	104.0
2002-03	13,134,241	13,547,311	103.0
2003-04	12,576,781	11,964.515	95.1
2004-05	10,592,031	10,286,247	97.1
2005-06	9,887,966	8,971,357	90.7
2006-07	9,529,637	8,104,306	85.0

SUPPLEMENTAL ROLL

Fiscal Year	Supplemental Roll Tax Change (Net)	Total Collections at June 30th[2]	Percentage of Total Collections to Current Charge
1997–98	$3,855,196	$ 2,871,101	74.5%
1998–99	5,289,385	2,747,760	51.9
1999–00	5,673,667	3,609,327	63.6
2000–01	4,418,123	4,120,698	93.3
2001–02	4,067,218	10,124,260[3]	248.9
2002–03	4,467,425	6,485,339	145.16
2003-04	5,384,204	5,457,777	101.3
2004-05	9,484,577	8,768,582	92.5
2005-06	13,226,295	10,411,335	78.7
2006-07	13,933,373	8,955,450	64.3

(1) The levy and collection data reflect the 1% levy allowed under Article XIII A of the State Constitution.
(2) Includes current and prior years' redemptions, penalties and interest.
(3) The significant increase in collections for 2001-02 is primarily due to the County Assessor's reduction in its backlog of appraisals caused by the conversion to a new property assessment system.
Source: County of San Mateo Controller.

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, in such project areas, local taxing authorities, such as the County, realize tax revenues only on the frozen base assessed valuations. The following table shows the tax allocations paid to redevelopment agencies located in the County.

Table 8
REDEVELOPMENT AGENCY PROJECTS
OF CITIES IN SAN MATEO COUNTY - FROZEN BASE VALUE,
FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS
(Fiscal Years 1996–97 through 2006–07)

Fiscal Year	Frozen Base Value	Full Cash Value Increments[1]	Total Tax Allocations[2]
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
2001–02	2,552,167,800	7,289,639,882	63,945,427
2002–03	2,541,404,900	8,302,122,796	72,655,720
2003-04	2,541,404,900	8,646,330,683	76,616,938
2004-05	2,541,404,900	9,042,912,548	80,757,245
2005-06	2,541,404,900	9,589,381,755	85,704,899
2006-07	2,541,404,900	11,005,439,878	98,226,985

(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.

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 XIII A of the State Constitution.

The following table sets forth information relating to the assessed valuation of property subject to taxation since fiscal year 2002-03.

Table 9
COUNTY OF SAN MATEO
ASSESSED VALUATION
FISCAL YEARS 2002-03 THROUGH 2006-07
(Dollars in Thousands)

Fiscal Year	Land	Improvements	Personal Property	Exemption	Net Total
2002–03	$37,534,411	$53,205,782	$7,787,859	$3,073,046	$95,455,006
2003-04	40,601,730	55,863,653	7,468,918	3,271,733	100,682,559
2004-05	43,900,273	58,368,248	6,406,818	3,222,916	105,452,423
2005-06	48,578,167	62,169,661	6,034,679	3,626,923	113,155,584
2006-07	53,658,583	67,064,848	6,178,495	3,952,784	122,949,142

Source: County of San Mateo Controller.

Under the California Constitution, property owners may protest the assessed value of their property to the county assessment appeals board. The assessment appeals board has jurisdiction to raise or lower the property assessed valuation, thereby affecting the amount of property taxes payable by the property owner for the tax year in question as well as future tax years. Annually, the County evaluates the protests filed by property owners and maintains, based on the opinion of the County Counsel, adequate reserves to fund significant tax refunds in the event of a successful protest.

As described under "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII A 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.

Property Tax Revenues and the Housing Market. Data published by Dataquick Information Services shows that home sales in the County were down 31.7% in calendar year 2007 as compared to the prior calendar year. Despite the slowdown in the State housing market and the reduction in the housing turnover rate in the County, housing prices in the County have remained steady. According to Dataquick Information Services, in December 2007 the median price of a home in the County dropped by only 0.2% as compared to median prices in December 2006, from $735,000 to $733,500. Thus, the slowdown in the housing market has not greatly affected assessed valuations of real property in the County and property tax revenues collected by the County. [confirm]

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 ("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 0.08839% of the County's total net assessed valuation constitutes unitary property subject to State assessment by the SBE, for which approximately $10.8 million of property taxes were collected in fiscal year 2006–07. The portion of these tax collections attributable to the County General Fund was $3.01 million.

Principal Taxpayers

The County's employer base is diverse and there is no concentration of employees in any one company or industry. The top ten property taxpayers only account for 5.3% of the total assessed valuation in the County and the top taxpayer accounts for less than 2.0% of the total assessed valuation in the County. Table 10 shows the ten principal taxpayers in the County, as shown on the 2006-07 tax rolls, and the approximate amounts of their total assessed values. Table 11 shows the taxes paid by the ten largest taxpayers on the combined rolls. Approximately 14.2% of these tax revenues are paid to the County.

Table 10
COUNTY OF SAN MATEO
PRINCIPAL TAXPAYERS
2006-07 TAX ROLL
($ in Thousands)

Taxpayer	Nature of Business	Total Assessed Value
United Airlines Inc.	Air Carrier	$ 1,651,553
Genentech Inc.	Bio-technology	1,585,337
Oracle Corporation	Computer Products	375,101
Sun Microsystems Inc	Computer Products	331,310
Wells REIT II - University Circle	Real Estate	293,000
VII Pac Shores Investors LLC	Real Estate	242,500
Westport Office Park LLC	Property Management	239,700
Tyco Electronics Corp	Design & Manufacturing	221,191
Slough BTC LLC	Property Management	212,781
Franklin Templeton Corp Svcs I	Investments	188,323
	TOTAL	$ 5,340,796
	COUNTY-WIDE TOTAL	$122,949,143

Source: County of San Mateo Tax Collector.

Table 11
COUNTY OF SAN MATEO
Ten Largest Taxpayers
SECURED TAXES PAYABLE AND PAID
(Fiscal Year 2006–07)

Taxpayer	Amount
United Airlines Inc.	$16,990,947
Genentech Inc.	16,462,447
Oracle Corporation	4,044,719
Sun Microsystems Inc	3,614,932
Wells REIT II University Circle	3,143,010
Westport Office Park LLC	2,584,685
VII Pacific Shores Investors LLC	2,584,331
Tyco Electronics Corp	2,407,792
Slough BTC LLC	2,208,455
Franklin Templeton Corp Svcs I	2,049,337
	$56,090,655

Source: County of San Mateo Tax Collector.

Return of Local Property Taxes

Pursuant to Revenue and Taxation Code 97.2 and 97.3, property tax contributions made by local governments to the Educational Revenue Augmentation Fund ("ERAF") in excess of state-mandated school funding levels are returned to the local governmental entity who made the contribution. Over the past four fiscal years, the County has received approximately $187.2 million in returned ERAF contributions, including approximately $52.1 million in fiscal year 2006-07. The County budgets it will receive $22 million in each of fiscal years 2007-08 and 2008-09 in excess ERAF funds. The County, however, considers excess ERAF an unpredictable and unstable source of revenue and plans to set aside and use such funds for one-time purposes.

The 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 Teeter Plan has resulted in net revenue for the County for each year since its adoption.

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.

Charges for Current Services

A significant source of revenues is received from charges for current services provided by the County, accounting for $229.1 million in the County's adopted budget for fiscal year 2007-08, or approximately 13.3% of the County's total Governmental Funds expenditures. This revenue source is a recoupment of costs for services such as recording fees, legal fees, health services fees, court and law enforcement fees. The County does not expect any significant changes in this revenue source to have a material effect on its ability to make Base Rental Payments when due.

Miscellaneous Other Revenue

Other significant sources of revenue are included in the Miscellaneous Other Revenue category. This category includes the amounts in Table 6, corresponding to the line item "Miscellaneous Other Revenues." Miscellaneous Other Revenues accounted for approximately $148.9 million in the County's adopted budget for fiscal year 2007-08, or 8.6% of the County's total Governmental Funds expenditures.

Tobacco Settlement Payments

On August 5, 1998 the State of California and participating California Counties and Cities entered into a Memorandum of Understanding (MOU) which allocates a portion of tobacco settlement proceeds to the participating counties and cities. On December 9, 1998 the Master Settlement Agreement (MSA) between participating States and various tobacco companies received court approval. The Board has allocated most of these funds to the operations of the Department of Hospitals and Clinics. The County received $7.4 million in fiscal year 2006-07. It is projected that the County's share of settlement payments for fiscal year 2007-08 will be $8.55 million. The continued receipt of these settlement payments depends upon the ability of the tobacco companies to make continued payments under the MSA.

Major Expenditures

As noted in the financial statements included herein, the County's major expenditures each year are public health and public protection, accounting for $581.4 million and $271.6 million, respectively, in the County's adopted budget for the 2007-08 fiscal year, or approximately 33.66% and 15.73%, respectively, of the County's total

Governmental Funds expenditures. The largest County expenditure is for non-discretionary public health, primarily consisting of State-mandated programs.

Retirement Program

Plan Description. The San Mateo County Employees' Retirement Association (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 four subplans which cover members classified as general, safety or probation. As of June 30, 2007, the total number of plan participants was 10,422, of which 10,397 were County employees. The administration, investment and disbursement of the Association's funds are under the exclusive control of the Retirement Board (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. For the fiscal year ended June 30, 2007, the average employer contribution rate by the County was 23.76% of the covered payroll and the average member contribution rate was 9.7%.

Annual Pension Cost. For the fiscal year ended June 30, 2007, the County's annual pension cost was equal to the County's required contributions of $100,550,000. The required contribution was determined by the actuarial valuation as of June 30, 2005, using the entry age normal actuarial cost method. The actuarial assumptions included 3.5% annual inflation rate, 7.75% annual investment rate of return, and 5.2% average annual projected salary increase attributed to inflation (4%) and adjustment for merit and longevity (1.2%). The table below presents information for the last three fiscal years.

Fiscal Year Ended	Annual pension Cost (APC)	Percentage of APC Contributed
6/30/2005	$ 76,931,000	100.0%
6/30/2006	76,090,000	100.0%
6/30/2007	100,550,000	100.0%

Funded Status and Funding Progress. As of June 30, 2007, the most recent actuarial valuation date, the plan was 77.4% funded. The actuarial accrued liability for benefits was $2,555,504,000, and the actuarial value of assets was $1,976,731,000, resulting in an unfunded actuarial accrued liability (UAAL) of $578,773,000. The annual covered payroll (annual payroll of active employees covered by the plan) was $407,812,000, and the ratio of the UAAL to the annual covered payroll was 141.92%.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
6/30/2002	$1,416,821,000	$1,660,566,000	$243,745,000	85.3%	$301,891,000	80.74%
6/30/2003	1,353,942,000	1,781,544,000	427,603,000	76.0	323,896,000	132.02
6/30/2004	1,452,621,000	1,921,328,000	468,707,000	75.6	365,385,000	128.28
6/30/2005	1,615,585,000	2,177,759,000	562,174,000	74.2	334,315,000	168.16
6/30/2006	1,769,021,000	2,345,149,000	576,128,000	75.4	363,648,000	158.43
6/30/2007	1,976,731,000	2,555,504,000	578,773,000	77.4	407,812,000	141.92

Source: Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2007, County of San Mateo, California.

Post Employment Benefits Other Than Pensions

Plan Description. The County administers a single-employer defined benefit post employment healthcare plan ("the Retiree Health Plan"). the Retiree Health Plan provides healthcare benefits to members who retire from the County and are eligible to receive a pension from the Association. Eligible retirees may elect to continue healthcare coverage in the County health plan and convert their sick leave balance at retirement to a County paid monthly benefit that will partially cover their retiree health premiums. The duration and amount of the County paid benefits depend on the amount of sick leave at retirement and the bargaining unit to which the retiree belonged. After the County paid benefits expire, the retirees may continue coverage in the County health plans at their own expense. For fiscal year 2006-07, the County contributed $6,615,000, or 42%, of the actuarially required contributions, to the Retiree health Plan.

Annual OPEB Cost and Net OPEB Obligation. The County's annual other post employment benefits (OPEB) cost is equal to (a) the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board ("GASB") Statement 45, plus (b) one year's interest on the beginning balance of the net OPEB Obligation, and minus (c) an adjustment to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years.

The initial valuation was performed as of July 1, 2005. In the last round of labor negotiations, the County agreed to enhance the sick leave conversion benefits for certain members effective January 1, 2007. As the new benefit provisions significantly changed the results of the valuation as of July 1, 2005, the County performed a new valuation as of January 1, 2007 to capture the benefit changes for represented employees. A second valuation was also performed as of January 1, 2007 to comply with CalPERS earnings (7.75%) and payroll growth rate (3.25%) assumptions, as the County recently entered into a trust agreement with CalPERS for OPEB services. The next valuation will be performed as of July 1, 2008, and should capture recent benefit changes for non-represented Management employees and the transfer of County assets to the OPEB fund. Future valuations will be performed on a bi-annual basis.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
7/1/2005	$ -	$ 135,678,000	$135,768,000	0.0%	$323,340,000	42.0%
1/1/2007	-	169,683,000	169,683,000	0.0	372,648,000	45.5
1/1/2007	-	156,843,000	156,843,000	0.0	383,773,000	40.9

Self-Insurance Programs

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

The County carries excess property insurance coverage subject to a $100,000 deductible, as follows: up to a maximum replacement value of $500 million after the first $100,000 claimed per incident; earthquake and flood damage up to a maximum of $25 million subject to a deductible equal to 5% of the replacement value per location or $250,000, whichever is greater; general liability and auto liability insurance up to $54.75 million per event after the first $300,000 claimed per incident; workers' compensation claims up to the maximum statutory limits after the first $1,000,000 claimed per incident; and medical malpractice insurance up to $25 million after the first $10,000 claimed per incident.

The activities related to such self-insurance programs are accounted for in trust funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2007 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. The Debt Limit Ordinance has expired, but the County continues to abide by the Debt Limit Ordinance as a matter of policy. Pursuant to the Debt Limit Ordinance, the debt limit is applicable to non-voter approved debt that is the obligation of the County, including lease revenue obligations such as the 2008 Bonds. 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 provides 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. Pursuant to the Debt Limit Ordinance, the County annual debt service limit for fiscal year 2007-08 is $56,071,310. As of June 30, 2007, the maximum annual debt service on the indebtedness of the County subject to the debt limit is $26,770,014.

Indebtedness

Short-Term Financing. The County does not have any short-term tax and revenue anticipation notes outstanding.

Long-term Obligations.

Authority Lease Revenue Bonds. Authority Lease Revenue Bonds include the following amounts outstanding as of June 30, 2007.

	Outstanding Principal Amount
Authority Lease Revenue Bonds (Capital Projects Program) 1993 Refunding Series A, fixed rate, bearing (or accruing) interest at an average rate of 5.62%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2021	$49,290,000
Authority Lease Revenue Bonds Series of 1993 (North County Satellite Clinic Project), fixed rate, bearing (or accruing) interest at an average rate of 5.93%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2026	$2,084,816
Authority Lease Revenue Bonds (Capital Projects), 1995 Series A, fixed rate, 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	$17,945,633
Authority Lease Revenue Bonds (Capital Projects), 1997 Series A, fixed rate, 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	$60,365,000
Authority Lease Revenue Bonds (Capital Projects), 1999 Refunding Series A, fixed rate, 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	$87,670,000
Authority Lease Revenue Bonds (Capital Projects), 2001 Series A and 2001 Series B, fixed rate, bearing or accruing interest at an average rate of 3.99%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2021	$27,290,000
Authority Lease Revenue Bonds(1) (Youth Services Campus), 2003 Series A, 2003 Series B and 2003 Series C, auction rate, payable at maturity on July 15, 2036	$155,350,000
Authority Lease Revenue Bonds (Capital Projects), 2004 Jail Refunding Series A, fixed rate, bearing or accruing interest at an average rate of 2.7%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2008	$4,482,087
Total	$404,477,536

1 The 2003 Bonds will be refunded by the 2008 Bonds.

The County paid approximately $21.4 million in debt service due in fiscal year 2006-07 with respect to the Authority's Lease Revenue Bonds described in the table above.

A portion of the proceeds of $124,355,000 aggregate principal amount of the Authority's Lease Revenue Refunding Bonds (San Mateo County Health Center), 1994 Series A, as well as a portion of certain of subsequent series of Lease Revenue Refunding Bonds (collectively, the "County Health Center Bonds") were used to complete the remodel and construction of the County Health Center in 2002 at a total cost of $131 million. Section 14085.5 of the Welfare and Institutions Code 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. The County has pledged that the payments made by the State to the County for the payment of the County Health Center Bonds. However, the obligation of the County to make Base Rental Payments related to the County Health Center, when due, constitutes 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.

Estimated Direct and Overlapping Debt. The estimated direct and overlapping debt of the County as of May 1, 2008 is shown below:

Table 13
COUNTY OF SAN MATEO
DIRECT AND OVERLAPPING DEBT
AS OF MAY 1, 2008

2007-08 Assessed Valuation:	$133,521,782,682	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	12,179,418,320	
Adjusted Assessed Valuation:	$121,342,364,362	

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/08
San Mateo Community College District	100.%	$ 650,619,994
Union High School Districts	100.	391,059,950
Cabrillo Unified School District	100.	21,111,263
South San Francisco Unified School District	100.	36,435,170
Jefferson School District	100.	50,830,000
Menlo Park City School District	100.	50,665,000
Redwood City School District	100.	57,214,279
San Carlos School District	100.	52,433,665
San Mateo-Foster City School District	100.	95,287,885
Other School Districts	100.	240,401,560
Cities	100.	67,215,000
Redwood City General Improvement District No. 1-64	100.	170,000
Montara Sanitary District	100.	16,000,000
Community Facilities Districts	100.	35,345,000
1915 Act Special Assessment Bonds (Estimate)	100.	31,777,244
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$1,796,566,010
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Mateo County General Fund Obligations	**100.%**	**$390,994,816**[1]
San Mateo County Flood Control District Certificates of Participation	100.	24,015,000
San Mateo County Board of Education Certificates of Participation	100.	13,345,000
School District General Fund Obligations	100.	96,946,123
City of Burlingame General Fund and Pension Obligations	100.	54,300,000
City of Daly City General Fund and Pension Obligations	100.	37,690,000
City of Redwood City General Fund Obligations	100.	22,490,000
City of San Mateo General Fund Obligations	100.	34,020,000
Other City General Fund Obligations	100.	69,154,690
Midpeninsula Regional Open Space Park General Fund Obligations	30.498	31,974,162
Special District Certificates of Participation	100.	1,732,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$776,661,791
Less: City of Burlingame self-supporting obligations		11,950,000
City of Daly City self-supporting obligations		2,625,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$762,086,791
GROSS COMBINED TOTAL DEBT		$2,573,227,801[2]
NET COMBINED TOTAL DEBT		$2,558,652,801

(1) Excludes the 2008 Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2007-08 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 1.35%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($415,009,816) 0.34%
Gross Combined Total Debt 2.12%
Net Combined Total Debt 2.11%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: $465

Source: California Municipal Statistics, Inc.

Financial Statements

The general purpose financial statements of the County for the fiscal year ended June 30, 2007, pertinent sections of which are included in Appendix C to this Official Statement, were audited by Macias, Gini & Company LLP, independent accountants (the "Auditor"), as stated in their report appearing in Appendix C. The County has not requested, nor has the Auditor given, the Auditor's consent to the inclusion in Appendix C of its report on such financial statements. The Auditor's review in connection with the audited financial statements included in Appendix C included events only as of June 30, 2007 and no review or investigation with respect to the subsequent events has been undertaken in connection with such financial statements by the Auditor. The County has certified that it is not aware of any events occurring since June 30, 2007 that would cause the financial information in Appendix C hereof to be incorrect or misleading in any material respect.

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

Funds accounted for by the County are categorized as follows:

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

See APPENDIX C – "AUDITED COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR 2006-2007."

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 school districts and community college districts (representing 38.3% of the County pool) and San Mateo County (representing 31.0% 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, 2008, 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	$1,094,830,561	38.3%
Cities	173,015,001	6.0
Special Districts	107,607,903	3.8
Bay Area Air Quality District	131,428,285	4.6
San Mateo County Transportation Authority/JPB	468,470,452	16.3
All Other San Mateo County Funds	885,648,792	31.0
Total	$2,861,000,994	100.0%

(1) Amounts represent cash balance as of March 31, 2008.

As of March 31, 2008, 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

Security	Carrying Value[1]	Market Value[2]
LAIF	$ 37,000,000	$ 37,000,000
Money Market Funds	45,000,000	45,003,700
Certificate of Deposit	463,760,178	463,656,203
Commercial Paper	392,863,444	393,970,076
Asset Backed Securities	9,508,518	9,619,596
Floating Rate Securities	689,631,761	679,764,524
Corporate Bonds	262,947,962	265,902,219
Federal Agency-Floating Rate Securities	49,995,000	50,043,686
Federal Agency Securities	523,206,535	526,976,048
U.S. Treasuries	353,150,306	354,138,665
Totals	$2,827,063,704	$2,826,074,717

(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, 2008, the carrying value and market value of investments credited to the County pool were both approximately $2.83 billion. The pool currently includes approximately $938.6 million in cash or cash equivalents, which represents the County pool's liquidity. As of March 31, 2008, the dollar weighted average maturity of the County pool was 0.6 years with a duration of 1.5 years. Approximately 30.7% 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, 2008, 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 investable funds over various market cycles, consistent with limiting risk and prudent investment principles. Yield is considered only after safety and credit quality have been met. The purpose of the 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 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 program is conducted under a Custody Agreement by and between the County and The Bank of New York, as custodian.

The Board has established an eight member County Treasury Oversight Committee pursuant to State law Members are selected pursuant to State law.

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 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.

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 2008 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 FACILITY LEASE. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other municipal services before making Base Rental Payments and other payments due under the Facility Lease. The same result could occur if, because of State Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues.

Security Expenditures

The County conducted a review of certain existing safety and security measures after the events of September 11, 2001 and has begun to implement additional security and public safety measures. However, the County does not guarantee that such actions will be adequate in the event that terrorist activities are directed against the County or its residents. The County also conducted a review of its current and proposed budgets. The County does not presently expect to incur additional material financial obligations as a result of the costs incurred in implementing these proposed safety measures. However, the County does not guarantee that additional actions by or affecting the County will not have a material adverse financial impact on the County.

Abatement Risk

During any period in which, by reason of material damage or destruction, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property will be abated proportionately, and the County waives any and all rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. See "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 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 2008 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 Facility Lease and Indenture could prove both expensive and time consuming. Although the Facility Lease provides that if the County defaults the Authority may reenter the Leased Property and re-let 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 Authority may have limited ability to re-let the Leased Property to provide a source of rental payments sufficient to pay the principal and interest on the 2008 Bonds so as to preserve the tax-exempt nature of interest on the 2008 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 re-letting with respect thereto.

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

In addition to the limitations on remedies contained in the Facility Lease and the Indenture, the rights and remedies provided in the Indenture and the 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 Facility Lease and from taking any steps to collect amounts due from the County under the 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 Leased Property is located near an earthquake fault. The Facility Lease requires the County to maintain insurance on the Leased Property against certain risks such as earthquakes, if available on the open market from reputable insurance companies as a reasonable cost, as determined by the County. The County currently insures all of its buildings against certain risks, including earthquake damage through a $25 million property insurance policy, subject to certain deductibles as described under "SECURITY FOR THE 2008 Bonds—Base Rental Payments—*Insurance*" and "THE COUNTY OF SAN MATEO—Self-Insurance Programs" herein.

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.

STATE OF CALIFORNIA BUDGET INFORMATION

The following information concerning the State of California (the "State") has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the State budget is posted by the Office of the Legislative Analyst (the "LAO") at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County and the County takes no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

2008 Budget Act

On August 24, 2007 the Governor signed the State Budget Act for fiscal year 2007-08 (the "2008 Budget Act"). The 2008 Budget Act assumes a carryover balance from fiscal year 2006-07 of $4.8 billion. The 2008 Budget

Act projects $102.3 billion in revenues for fiscal year 2007-08 and authorizes the expenditure of an equal amount, leaving the State General Fund with a year-end reserve of $4.1 billion. Even though the expenditures authorized under the 2008 Budget Act do not exceed the projected revenues for fiscal year 2007-08, the State will still face operating shortfalls in both fiscal years 2008-09 and 2009-10. According to the LAO, the shortfall in future years is due to the fact that many of the State's solutions enacted in the 2008 Budget Act are one-time in nature. For example, the State assumes $1 billion in one-time revenues from the sale of EdFund, the State's nonprofit student loan guaranty agency, $293 million in General Fund revenues from amended tribal gaming compacts and $600 million in General Fund revenues due to the transfer from the State's tobacco securitization fund, which transfer was originally scheduled for fiscal years 2008-09 and 2009-10. In addition, due to the fluctuation in estimates of State revenues in fiscal year 2006-07, the 2008 Budget Act assumes no additional Proposition 98 funding for fiscal year 2006-07. If, however, the finalized revenue figures for fiscal year 2006-07 are higher than expected, the State will automatically owe a settle-up payment of approximately $411 million for fiscal year 2006-07 Proposition 98 funding, which will be paid out of the State's reserve. The 2008 Budget Act also uses $567 million of one-time and special fund monies to support fiscal year 2007-08 K-12 costs, which results in the State entering fiscal year 2008-09 with a large ongoing shortfall for K-12 education.

Certain of the features of the 2008 Budget Act affecting counties include the following:

1. The 2008 Budget Act suspends funding for California Work Opportunity Responsibility to Kids cost-of-living adjustments for one year and permanently delays for five months the annual State Supplemental Security Income/State Supplementary Program cost-of-living adjustments. The 2008 Budget Act also provides $35.7 million for county-operated housing assistance programs for emancipated foster youth, of which $10.5 million is available for reimbursement to counties for costs incurred in fiscal year 2006-07.

2. The 2008 Budget Act provides approximately $14.3 billion from the General Fund for Medi-Cal expenditures. Approximately $50.8 million ($25.4 million from the General Fund) will be provided to county administrations to fund the costs incurred in connection with the implementation of new federal regulations under the Deficit Reduction Act of 2005.

3. Pursuant to Proposition 1A, the State is required to repay local agencies for previously unreimbursed State mandates. The 2008 Budget Act includes only reimbursements for mandates performed in fiscal year 2006-07 and delays the reimbursements for mandates to be performed in fiscal year 2007-08 until fiscal year 2008-09.

4. The 2008 Budget Act appropriates approximately $4.2 billion for transportation programs, $950 million of which will be allocated to cities and counties for local streets and roads.

Complete text of the 2007 Budget Act may be found at the website of the Department of Finance (www.dof.ca.gov), under the heading "California Budget." Information on the website is not incorporated herein by reference.

Proposed 2008-09 Governor's Budget

On January 10, 2008, the Governor released his proposed budget for fiscal year 2008-09 (the "2008-09 Governor's Budget"). The 2008-09 Governor's Budget projects an estimated $14.5 billion budget by the end of fiscal year 2008-09, in the absence of any changes to State law or policy to reduce spending, which the Governor proposes to address with more than $17 billion in correction actions. In particular, the 2008-09 Governor's Budget projects State General Fund revenues and transfers for fiscal year 2008-09 of $102.9 billion, an increase of approximately 2.1% above the anticipated revenues and transfers for fiscal year 2007-2008, and State General Fund expenditures of $101.0 billion, a decrease of approximately 2.3% below the anticipated expenditures for fiscal year 2007-08. With proposed expenditures of $2.6 billion more than revenues, the 2008-09 Governor's Budget projects ending fiscal year 2007-08 with a State General Fund balance of $1.76 billion, of which $885 million will be reserved for the liquidation of encumbrances and $872 million will be deposited in a reserve for economic uncertainties, and ending fiscal year 2008-09 with a State General Fund balance of $3.67 billion, of which $885 million will be reserved for the liquidation of encumbrances and $2.78 billion will be deposited in a reserve for economic uncertainties, provided various budget-balancing proposals are approved.

The Governor's revised economic forecasts for the State reflects weaker economic performance than was previously forecast. State personal income growth (considered the broadest single measure available of the State's overall economic activity) is predicted to slow from 5.6% in 2007, to 4.8% in 2008, and then increase to 5.2% in 2009. Job growth within the State is expected to drop from 0.8% for 2007 to 0.7% for 2008, and then increase to 1% for 2009. New housing permits in the State are expected to be 95,000 in 2008, compared to an average of more than 160,000 annually for the past ten years.

The Governor has declared a fiscal emergency under the State Constitution and called the Legislature into special session to, among other things, consider the Governor's proposals for balancing the State budget, which includes issuing approximately $3.3 billion in deficit-financing bonds (which were subsequently issued), suspending a $1.5 billion supplementary payment on outstanding deficit-financing bonds, accruing in fiscal year 2008-09 $2 billion in tax revenues that are currently reflected as fiscal year 2009-10 revenues, reducing K-14 education spending in the current year by $400 million, suspending the Proposition 98 minimum guarantee in the amount of $4 billion in fiscal year 2008-09, saving approximately $758 million by fiscal year 2009-10 by releasing certain nonviolent prisoners and no longer actively supervising nonviolent offenders on parole, and making 10% across-the-board reductions (aggregating to approximately $5 billion in savings) in most other State programs, excepting only program reductions that are deemed to be in conflict with the State Constitution or impractical.

In addition, the Governor proposes that a constitutional amendment be put before the State's voters, which amendment would provide for a creation of a third State reserve fund to receive revenues from the General Fund of any amount over the average long-term trend revenue growth rate (which amounts would be transferred back to the General Fund in any year in which revenue growth was below the average) and provide the Governor with the power to make program reductions when he predicts the State to be in a budget deficit. The Governor also seeks legislation that would allow him to make reductions to the services of statutory entitlement programs.

The 2008-09 Governor's Budget has the following major components which might affect counties:

1. Budget Balancing Reductions — The 2008-09 Governor's Budget proposes budget-balancing reductions of $216.6 million in fiscal year 2007-08 and $9.1 billion in fiscal year 2008-09 to close the $14.5 billion budget gap. The 10% across-the-board reductions applies to all General Fund departments and programs, Boards, Commissions, and elected offices including the legislative and judicial branches except where such a reduction is in conflict with the State constitution or impractical. Many of the reductions required implementation as early as March 1, 2008 in order to achieve a full 10% reduction in fiscal year 2008-09.

2. Cash Flow Management — The deterioration of the budget reserve in the current year has resulted in a projected cash shortage in July and August 2008. In order to manage cash flow for current and budget years and ensure timely payments of the State's debts, the 2008-09 Governor's Budget proposes cash management solutions totaling $8.7 billion ($4.2 billion in fiscal year 2007-08 and $4.5 billion in fiscal year 2008-09). These include selling $3.313 billion of Economic Recovery Bonds by the end of February 2008 to help current year cash flow (which bonds were issued on February 14, 2008) and, among other solutions, delaying disbursement of deferred apportionments for K-12 schools and community colleges to achieve $1.3 billion savings.

3. Health and Human Services — The 2008-09 Governor's Budget includes $29.3 billion General Fund for Health and Human Service Programs after budget-balancing reductions, which is a decrease of $279 million or 1.0% below the revised fiscal year 2007-08 estimate. The 2008-09 Governor's Budget includes $27.1 million in General Fund expenditure increases in Health and Human Services programs due to policy adjustments.

4. Transportation Funding - The 2008-09 Governor's Budget includes $1.485 billion to fully fund Proposition 42 in fiscal year 2008-09. Proposition 1A was passed in November 2006 and provides for the repayment of any remaining Proposition 42 debt by fiscal year 2015-16. Pursuant to Proposition 1A, the 2008-09 Governor's Budget repays $83 million from fiscal years 2003-04 and 2004-05 Proposition 42 suspensions. Because the issuance of tribal gaming bonds continues to be delayed, the Governor's Budget proposes to use the $100 million in tribal gaming compact revenues that will be received in fiscal years 2007-08 and 2008-09 until the bonds are sold, to repay past loans made from the State Highway Account, the Traffic Congestion Relief Fund, and the Public Transportation Account ("PTA"). Proposition 1B was also passed in November 2006, providing $19.925 billion in

bonding authority for a total of 16 programs intended to address a broad range of transportation priorities including rehabilitation and expansion of highways, transit and transit security, port security, and air quality. The authority for the use of any bond funds must be provided for in the Budget Act. The Governor's Budget proposes to appropriate $4.7 billion in Proposition 1B funding.

5. The 2008-09 Governor's Budget proposes reducing provider rates for Medi-Cal to generate fiscal year 2007-08 State General Fund savings of $33 million and fiscal year 2008-09 savings of $602 million, which savings would be achieved through a 10% provider payment reduction to most fee-for-service providers (generally physicians). The 2008-09 Governor's Budget also proposes to change from a weekly reimbursement schedule to an annual reimbursement schedule for a one-time State General Fund savings of $165 million.

Department of Finance Reports Show Continuous Weakening in State Economy. Since the release of the 2008-09 Governor's Budget, monthly finance bulletins issued by the Department of Finance (available at www.dof.ca.gov) have shown continuing weak economic performance in early 2008, including continued job losses in the State and further weakening of the housing markets. These reports have also disclosed General Fund revenues falling below the forecasts made in the 2008-09 Governor's Budget, with the weakest performance among the three major tax sources in sales and use tax receipts. The Department of Finance's April 2008 report on receipts for the month of March reflects continued weakness in performance in corporate tax revenues, and that actual General Fund revenues through March are $1.184 billion below those forecasted in the 2008-09 Governor's Budget. Continuing revenue declines will exacerbate the fiscal challenges facing the State, and depending on their severity, could increase the projected shortfall by the end of fiscal year 2008-09 by multiple billions of dollars.

LAO Assessment of the 2008-09 Governor's Budget. The LAO has released several reports which include their estimates and assessments of State budget acts and associated fiscal and economic projections. These include a report titled "Analysis of the 2008-09 Budget Bill: Perspectives and Issues" dated February 20, 2008. In the report, the LAO makes the following statements in "The State's Fiscal Picture" section:

"Primarily due to the continued deterioration of the State's revenue outlook, we project that the State's budget shortfall (prior to any corrective actions) has increased to about $16 billion. Consequently, the reserve at the end of 2008-09 under the Governor's budget policies would be $1.1 billion—$1.6 billion less than forecasted by the administration. Despite achieving a positive reserve, we conclude that the administration's budget-balancing approach is fundamentally flawed. Its across-the-board reductions reflect little effort to prioritize and determine which state programs provide essential services or are most critical to California's future. In the absence of a credible plan that prioritizes state spending and revenues, we offer an alternative approach for the Legislature's consideration. By making more targeted reductions and adding ongoing revenue solutions, we believe this approach offers the Legislature a better foundation to begin crafting a 2008-09 budget that focuses on essential services."

May Revision to the 2008-09 Governor's Budget

On May 14, 2008, the Governor released the May Revision to the 2008-09 Governor's Budget (the "May Revision"). The May Revision projects a current budget gap of $17.2 billion, approximately $3.0 billion more than the $14.5 billion budget gap reflected in the 2008-09 Governor's Budget. The May Revision attributes the difference to a lower than expected gross domestic product growth, weaker State job growth, and smaller gains in State personal income in calendar years 2008 and 2009.

The May Revision proposes a combination of spending reductions and revenue solutions to address the State budget gap and to provide for reserves of approximately $2.0 billion. The May Revision fully funds the Proposition 98 guarantee and abandons earlier proposals by the Governor to close over 40 State parks and to release certain California prison inmates early. The Governor also proposes in the May Revision $12.6 billion in expenditure reductions across State government and $627 million in additional reductions to health and human service programs. The May Revision also proposes loans and transfers from various special funds to provide one-time funding to the General Fund to help close the budget gap.

The May Revision includes the Governor's plan to address the State's current and ongoing budget problem, which plan focuses on four elements: (1) the Budget Stabilization Act, a constitutional amendment that seeks to address the cyclical nature of the State's revenues by establishing a Revenue Stabilization Fund (the "RSF") in which General Fund revenues above a certain cap would be deposited in the RSF, with certain amounts set aside in an educational subaccount, (2) the sale of bonds backed by the securitization of a portion of State lottery revenues, with the expectation that such securitization will generate $5.1 billion for the RSF in fiscal year 2008-09 and a total of $15 billion by fiscal year 2010-11, (3) a temporary 1% sales tax increase as a fail-safe mechanism in the event that the ballot measure authorizing the securitization of lottery revenues is not approved by voters, and (4) the creation of a Tax Modernization Commission to conduct a comprehensive examination of California's tax laws.

The May Revision also includes the State's decision to postpone the sale of EdFund, the State-established non-profit student loan guaranty agency. The sale of EdFund was proposed in the 2008-09 Governor's Budget as a budget balancing revenue source for fiscal year 2007-08, and its postponement is expected to reduce revenues in fiscal year 2007-08 by $500 million.

Certain features of the May Revision affecting counties include the following:

1. Proposal to delay federal cost of living adjustments ("COLA") for savings to the State of $108.8 million in fiscal year 2008-09 and $218 million in fiscal year 2009-10 and to eliminate the State COLA for fiscal year 2008-09 for a savings of $121 million.

2. Proposal to reduce funding to and restrict eligibility for social services programs, such as limiting State participation in In-Home Supportive Services wages, lowering qualifying income level for Medi-Cal eligibility and limiting Medi-Cal and assistance benefits to newly qualified immigrants.

3. Proposal to continue to fully fund Proposition 42, but revising the funding estimate from $1.49 billion to $1.43 billion. The reduction in funding will cause a revision in allocation estimates for each county.

LAO Overview of the May Revision. On May `19, 2008, the LAO released an analysis of the May Revision entitled "Overview of the 2008-09 May Revision" (the "LAO Overview"). According to the LAO Overview, the overall budget-year estimates in the May Revision are reasonable and if the Legislature adopted all of the administration's proposals, and such proposals were successfully implemented, the State's year-end reserve in fiscal year 2008-09 would be approximately $500 million less than what was estimated by the administration in the May Revision. However, the LAO Overview predicts that that State's multibillion dollar deficit would resurface in fiscal year 2010-11.

The LAO Overview details certain flaws in the Governor's budget reform proposals, specifically those pertaining to the revenue cap and the use of lottery securitization to bolster State revenues. The May Revision presents overly optimistic estimates about the potential growth in lottery sales and profits. Should lottery sales and profits not grow as forecasted by the administration, the securitization of lottery revenues would lead to a decrease in lottery distributions to public education because holders of the bonds would continue to receive debt service payments prior to any distributions to public education. In addition, because of the restrictions to accessing funds in the RSF requiring moneys that otherwise would have been deposited in the General Fund to be deposited into the RSF should the revenue cap be met would actually prevent the State from accessing some of the lottery proceeds intended to help solve the budget problem. As a result, the May Revision's proposed reforms could lock the State's operating shortfall in place and lead to automatic multibillion dollar across-the-board reductions. The LAO Overview offers alternative approaches to the proposals set forth in the May Revision, including an alternate lottery plan and simpler budget reform proposals.

Publications from the LAO can be read in full by accessing the LAO's website (www.lao.ca.gov) or by contacting the LAO at (916) 445-4656. Information on the website is not incorporated herein by reference.

Impact of State Budgets upon the County

The County cannot predict what actions will be taken in future years by the State Legislature and the Governor to address future State budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the County has no control. To the extent that the State budget process results in reduced revenues to the County, the County will be required to make adjustments to its budget.

The Governor's 10% across the board cuts for the current and next fiscal years will have the greatest impact on the County's health department. For the current year, the County will transfer additional funds from the General Fund to offset these cuts. For next year, the County may need to reduce services or continue General Fund support, or some combination thereof. See "COUNTY FINANCIAL INFORMATION – Intergovernmental Revenues; Impact of State Financial Situation on County" herein.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California 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 (1) ad valorem taxes to pay interest or redemption charges on 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, or (3) any bonded indebtedness incurred by a school district, community college district or county office of education for the construction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities approved after November 8, 2000 by 55% of the voters of the district or county, as appropriate, 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" ("Full Cash Value"). 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 may be 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 that 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 reappraisal under Article XIIIA. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria 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. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

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

Article XIIIA has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of property damaged or destroyed in a disaster.

Section 4 of Article XIIIA provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Article XIIIB of the California Constitution

State and local government agencies in California are each subject to annual "appropriations limits" imposed by Article XIIIB of the State Constitution ("Article XIIIB"). Article XIIIB prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. "Appropriations subject to limitation" are generally authorizations to spend "proceeds of taxes," which include all, but are not limited to, tax revenues, and the proceeds from (i) regulatory licenses, user charges or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product, or service" (ii) the investment of tax revenues, and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds which are not "proceeds of taxes," appropriated for debt service on indebtedness existing prior to the passage of Article XIIIB or authorized by the voters or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIIIB provides that, in general terms, a county's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIIIB. If county revenues during any two consecutive fiscal years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

Section 7900, et seq. of the California Government Code defines certain terms used in Article XIIIB and sets forth the methods for determining the appropriations limits for local jurisdictions. The County's appropriation limit for fiscal year 2007-08 is $367,296,470. It has been determined that $181,482,162 of the County's fiscal year 2007-08 budgeted appropriations and provision for reserves totaling $1,382,264,908 is subject to the limitation, and the County is therefore $185,814,308 under the appropriations limit for fiscal year 2007-08.

Article XIIIC and Article XIIID of the California Constitution

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

Article XIIIC requires that all new local taxes 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 general fund, require a two-thirds vote. The voter approval requirements of Article XIIIC reduce the County's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the County will be able to raise taxes in the future to meet increased expenditure requirements.

Article XIIID contains several new provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. This definition applies to landscape and maintenance assessments for open space areas, street medians, street lights and parks.

Article XIIID also contains several new provisions affecting a "fee" or "charge," defined for purposes of Article XIIID to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person, exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIIID), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

In addition to the provisions described above, Article XIIIC removes prohibitions and limitations on the initiative power in matters of any "local tax, assessment, fee or charge." Consequently, the voters of the County could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. "Assessment," "fee" and "charge," are not defined in Article XIIIC and it is not clear whether the definitions of these terms in Article XIIID (which are generally property-related as described above) would limit the scope of the initiative power set forth in Article XIIIC. If the Article XIIID definitions are not held to limit the scope of Article XIIIC initiative powers, then the Article XIIIC initiative power could potentially apply to revenue sources that currently constitute a substantial portion of general fund revenues. No assurance can be given that the voters of the County will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination. The County imposes some taxes, assessments, fees and charges that could be affected by Proposition 218. To date, Proposition 218 has not impacted the revenues that are available to the County to make the Lease Payments required pursuant to the Lease Agreement.

Proposition 1A

As part of Governor Schwarzenegger's agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A ("Proposition 1A") at the November 2004 election. Proposition 1A amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with fiscal year 2008–09, the State will be able to borrow up to 8% of local property tax revenues, but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship and two–thirds of both houses of the Legislature approves the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for more than 2 fiscal years within a period of 10 fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the statewide local sales tax.

Proposition 1A also prohibits the State from mandating activities on cities, counties or special districts without providing for the funding needed to comply with the mandates. Beginning in fiscal year 2005–06, if the State does not provide funding for the mandated activity, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A expanded the definition of what constitutes a mandate on local governments to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had partial or complete responsibility. The State mandate provisions of Proposition 1A do not apply to schools or community colleges or to mandates relating to employee rights.

Proposition 62

A statutory initiative ("Proposition 62") was adopted by State voters 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 voting in such election, (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 voting in such election, (3) restricts the use of revenues from a special tax to the purpose 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 August 1, 1985 be ratified by a majority vote of the electorate voting in such election within two years of the adoption of the initiative or be terminated by November 15, 1988. Proposition 62 requirements are generally not applicable to general taxes and special taxes levied prior to its November 4, 1986 effective date.

On September 28, 1995, the California Supreme Court filed its decision in *Santa Clara County Local Transportation Authority v. Carl Guardino*, 11 Cal. 4th 220 (1995) (the "*Santa Clara* decision"), which upheld a Court of Appeal decision invalidating a 1/2-cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote of the electorate for the levy of a "special tax," as required by Proposition 62. The Santa Clara decision did not address the question of whether or not it should be applied retroactively.

In deciding the Santa Clara case on Proposition 62 grounds, the Court disapproved the decision in *City of Woodlake v. Logan*, 230 Cal. App. 3d 1058 (1991) ("*Woodlake*"), where the Court of Appeal had held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. The California Supreme Court determined that the voter approval requirement of Proposition 62 is a condition precedent to the enactment of each tax statute to which it applies, while referendum refers to a process invoked only after a statute has been enacted. Numerous taxes to which Proposition 62 would apply were imposed or increased without voter approval in reliance on Woodlake. The Court notes as apparently distinguishable, but did not confirm, the decision in *City of Westminster v. County of Orange*, 204 Cal. App. 3d 623 (1988), which held unconstitutional the provision of Proposition 62 requiring voter approval of taxes imposed during the "window period" of August 1, 1985 until November 5, 1986. Proposition 62 as an initiative statute does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature. After the passage of Proposition 218, certain provisions of Proposition 62 (e.g. voter approval of taxes) are governed by the State Constitution.

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

The County does not believe any of the taxes constituting County revenues are levied in violation of Proposition 62.]

Future Initiatives

Article XIIIA, Article XIIIB and Propositions 62, 218 and 1A 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, which may place further limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations which may affect the County's revenues or its ability to expend its revenues.

THE AUTHORITY

The San Mateo County Joint Powers Financing Authority was formed pursuant to the provisions of Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State 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 to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2008 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 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

[To the extent the issue price of any maturity of the 2008 Bonds is less than the amount to be paid at maturity of such 2008 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2008 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2008 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 2008 Bonds is the first price at which a substantial amount of such maturity of the 2008 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 2008 Bonds accrues daily over the term to maturity of such 2008 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 2008 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2008 Bonds. Beneficial Owners of the 2008 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2008 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2008 Bonds in the original offering to the public at the first price at which a substantial amount of such 2008 Bonds is sold to the public.]

[2008 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.]

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2008 Bonds. The Authority and the County have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2008 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2008 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2008 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2008 Bonds may adversely affect the value of, or the tax status of interest on, the 2008 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2008 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 2008 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2008 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. [As one example, on November 5, 2007, the United States Supreme Court heard an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions.] The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2008 Bonds. Prospective purchasers of the 2008 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2008 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the County have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2008 Bonds ends with the issuance of the 2008 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the County or the Beneficial Owners regarding the tax-exempt status of the 2008 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the County and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2008 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2008 Bonds, and may cause the Authority, the County or the Beneficial Owners to incur significant expense.

INDEPENDENT ACCOUNTANTS

The financial statements of the County's at June 30, 2007 included in APPENDIX C to this Official Statement, have been audited by Macias Gini & O'Connell LLP, independent accountant, as set forth in their report dated December 5, 2007, which also appears in APPENDIX C.

REMARKETING AGENTS

Citigroup Global Markets Inc. has been appointed to serve as remarketing agent for the Series 2008 [A] Bonds and Series 2008 [B] Bonds (the "Series 2008 [A-B] Remarketing Agent"). The Series 2008 [A-B] Remarketing Agent will carry out the duties and obligations provided for the Series 2008 [A-B] Remarketing Agent under and in accordance with the provisions of the Indenture and the Remarketing Agreement, dated as of __1, 2008 by and between the Authority and the Series 2008 [A-B] Remarketing Agent, executed in connection with the Series 2008 [A-B] Bonds.

Lehman Brothers Inc. has been appointed to serve as remarketing agent for the Series 2008 [C] Bonds (the "Series 2008 [C] Remarketing Agent"). The Series 2008 [C] Remarketing Agent will carry out the duties and obligations provided for the Series 2008 [C] Remarketing Agent under and in accordance with the provisions of the

Indenture and the Remarketing Agreement, dated as of __1, 2008 by and between the Authority and the Series 2008 [C] Remarketing Agent, executed in connection with the Series 2008 [C] Bonds.

LEGAL MATTERS

The validity of the 2008 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 Underwriters by Sidley Austin 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 2008 Bonds, the Site Lease, the Facility Lease or the Indenture, and an opinion of County Counsel to that effect will be furnished to the purchaser at the time of the original delivery of the 2008 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 Investors Service, Inc. ("Moody's") and by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. ("S&P") are expected to assign the 2008 Bonds the short-term ratings of "___" and "___," respectively. Such ratings are based on the issuance of the Policy by the Bond Insurer and the Liquidity Facility by the Liquidity Facility Provider at the time of delivery of the 2008 Bonds. Moody's and Standard & Poor's are expected to assign the underlying ratings of "___" and "___," respectively, to the 2008 Bonds. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the 2008 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 2008 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 2008 Bonds.

Each of Moody's and S&P has recently released statements on the potential effects of downturns in the market for structured finance instruments, including collateralized debt obligations and residential mortgage backed securities, on the claims-paying ability of the bond insurance companies. In various releases, each rating agency has outlined the processes that they intend to follow in evaluating the effect of this risk on their respective ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a ratings affirmation, a change in rating outlook, a review for downgrade, or a downgrade. Potential investors are directed to each rating agency for additional information on their respective evaluations of the financial guaranty industry and individual financial guarantors, including the Bond Insurer.

UNDERWRITING

The 2008 Bonds are being purchased for reoffering by Citigroup Global Markets Inc. and Lehman Brothers Inc. (the "Underwriters"). The Underwriters have agreed to purchase, the 2008 Bonds at a purchase price of $_______________ (representing the aggregate principal amount of the 2008 Bonds, less an Underwriters' discount of $____________). The Underwriters will purchase all of the 2008 Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the 2008 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: ____
Assistant Secretary

SAN MATEO COUNTY

By: ____
Assistant County Manager

APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SAN MATEO

DEMOGRAPHIC INFORMATION
COUNTY OF SAN MATEO

There follows in this Official Statement a brief description of San Mateo County, California (the "County"), together with current information concerning the County's demographics and economy.

Population

The following table shows the population of State of California, the County and the six largest cities within the County for 2004 to 2008. The County's population increased by approximately 21,548, or approximately 2.9% over the five year period.

POPULATION
SAN MATEO COUNTY AND INCORPORATED CITIES
2004-2008[1]

	2004	2005	2006	2007	2008
Six Largest Cities:					
Daly City	104,186	104,347	104,816	105,688	106,361
San Mateo	93,871	93,931	94,312	95,098	95,776
Redwood City	75,763	75,763	76,086	76,695	77,269
South San Francisco	60,925	61,477	61,824	62,342	63,744
San Bruno	40,868	41,322	41,515	41,962	43,444
Pacifica	38,527	38,563	38,739	39,081	39,616
Total County	717,921	720,530	724,091	730,339	739,469
State of California	36,199,342	36,675,346	37,114,598	37,559,440	38,049,462

(1) As of January 1 for the year shown.
Source: Population Estimates for Cities, Counties and the State, 2001-2008, with 2000 Benchmark, California Department of Finance, May 2008.

Employment

The unemployment rate in the County has consistently been among the lowest in the State and nation as illustrated in the following table. In 2007, the County's labor force was 379,500, an increase of 2.53% over the County's labor force in 2006. The unemployment rate in year 2007 increased to 3.8% from 3.7% in year 2006. The following table compares labor force, employment and unemployment for the County, the State of California and the United States for the years 2003 through January 2007.

SAN MATEO COUNTY
ANNUAL AVERAGE LABOR FORCE AND INDUSTRY EMPLOYMENT
2003 THROUGH 2007[1]

Year	Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2003	San Mateo County	369,600	348,000	21,600	5.8%
	California	17,390,700	16,200,100	1,190,600	6.8
	United States	146,510,000	137,736,000	8,774,000	6.0
2004	San Mateo County	364,500	346,700	17,800	4.9%
	California	17,506,600	16,413,400	1,093,200	6.2
	United States	147,401,000	139,252,000	8,149,000	5.5
2005	San Mateo County	364,200	348,600	15,600	4.3%
	California	17,703,400	16,742,300	961,100	5.4
	United States	149,320,000	141,730,000	7,591,000	5.1
2006	San Mateo County	369,900	356,300	13,600	3.7%
	California	17,907,200	17,029,900	877,300	4.9
	United States	151,428,000	144,427,000	7,001,000	4.6
2007	San Mateo County	379,500	365,000	14,500	3.8%
	California	18,188,100	17,208,900	979,200	5.4
	United States	152,236,000	145,323,000	6,913,000	4.5

(1) Data not seasonally adjusted.
Source: State of California Employment Development Department

Major Employers

The ten largest employers in the County and their respective average number of employees in 2007 are as follows:

COUNTY OF SAN MATEO
TOP TEN LARGEST EMPLOYERS
As of April 2007

Employer	Type of Business	Number of San Mateo County Employees
United Airlines	Airline	9,600
Genentech Inc.	Biotechnology	7,845
County of San Mateo	Government	5,690
Oracle Corp.	Computer Products	5,642
Kaiser Permanente	Health Care	3,609
Safeway, Inc.	Grocery Retailer	2,280
United States Postal Service	Mail Services	2,174
Electronic Arts Interactive	Entertainment	2,000
Mills-Peninsula Health Service	Health Care	1,800
Applied Biosystems	Biotechnology	1,578

Source: San Francisco Business Times, 2008 Book of Lists.

Industry and Employment

The largest industries in the County, in terms of the percentage of employment in each respective industry, are as follows:

COUNTY OF SAN MATEO
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY [1]
Calendar Year 2006

Industry	Percentage of County Employment
Agriculture	0.6%
Government	9.6
Professional and Business Services	18.3
Leisure and Hospitality	10.0
Mining & Construction	5.2
Manufacturing	9.0
Transportation & Public Utilities	22.5
Information	5.5
Finance, Insurance & Real Estate	6.5

(1) All information updated per March 2007 Benchmark.
Source: State of California Employment Development Department, Labor Market Information Division.

The following table shows employment by industry group in the County of San Mateo from 2003 to 2006:

COUNTY OF SAN MATEO
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY GROUP
For Calendar Years 2003 through 2006

Industry Group(1)	2003	2004	2005	2006
Total All Industries	329,100	327,500	327,500	334,100
Total Agriculture	2,600	2,200	1,900	1,900
Total Nonagriculture Employment	326,600	325,300	325,600	332,100
Mining	100	100	100	100
Construction	17,900	17,700	16,300	17,300
Manufacturing	29,000	29,100	28,700	30,000
Nondurable Goods	11,500	12,000	12,700	13,900
Durable Goods	17,500	17,100	16,000	16,100
Trade, Transportation & Public Utilities	76,700	75,600	74,800	75,000
Wholesale Trade	12,100	11,600	11,600	12,300
Retail Trade	36,800	35,800	35,800	36,000
Information	22,500	21,100	20,500	18,500
Financial Activities	20,800	20,800	21,200	21,600
Services				
Professional And Business	55,200	57,000	59,500	61,000
Educational and Health	30,100	30,200	30,200	31,700
Leisure and Hospitality	30,300	30,700	31,400	33,400
Other	11,400	11,000	10,900	11,100
Government(2)	32,700	32,100	32,100	32,200
Federal	4,600	4,500	4,400	4,200
State & Local	28,100	27,600	27,700	28,100

(1) Employment is by place of work and does not include persons who are involved in labor management trade disputes, self employed, or unpaid family workers.
(2) Includes all civilian government employees regardless of activity in which engaged.
Source: State of California Employment Development Department, Labor Market Information Division.

Personal Income

The following table summarizes the total effective buying income and the median household effective buying income for the County of San Mateo, the State of California, and the United States between 2002 and 2005:

PERSONAL INCOME
Effective Buying Income[1]
2002 through 2005[2]
($ in Thousands)

Year	Area	Total Effective Buying Income	Median Household Effective Buying Income
2002	San Mateo County	$ 21,193,515	$64,766
	California	650,521,407	43,532
	United States	5,303,481,498	38,365
2003	San Mateo County	20,903,988	60,071
	California	647,879,427	42,484
	United States	5,340,682,818	38,035
2004	San Mateo County	21,239,098	60,516
	California	674,721,020	42,924
	United States	5,466,880,008	38,201
2005	San Mateo County	21,344,165	59,703
	California	705,108,410	43,915
	United States	5,692,909,567	39,324

Source: Sales and Marketing Management, Survey of Buying Power.

(1) "Effective Buying Income," also referred to as "disposable" or "after tax" income, consists of personal income less personal tax and certain non-tax payments. Personal income includes wages and salaries, other labor-related income (such as employer contributions to private pension funds), and certain other income (e.g. proprietor's income; rental income; dividends and interest; pensions; Social Security; unemployment compensation; and welfare assistance). Deducted from this total are personal taxes (federal, state and local), certain non-tax payments (e.g. fines, fees and penalties) and personal contributions to a retirement program.

(2) The 2006 edition of Sales and Marketing Management has not been published as of the date hereof, and therefore 2006 estimates are not available.

Commercial Activity

Commercial activity is an important contributor to San Mateo County's economy. The following table shows the County's taxable transactions from year 2002 to year 2006:

COUNTY OF SAN MATEO
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
FOR CALENDAR YEARS 2002 THROUGH 2006[(1)]
as of December 2007
($ in Thousands)

Type of Business	2002	2003	2004	2005	2006
Apparel Stores	$ 313,513	$ 312,708	$ 337,738	$ 365,474	$ 398,192
General Merchandise Stores	1,200,699	1,207,576	1,226,528	1,247,946	1,313,029
Specialty Stores	1,062,791	1,090,344	1,129,654	1,217,982	1,249,966
Food Stores	401,241	399,776	401,438	408,881	411,438
Packaged Liquor Stores	69,418	68,878	73,434	75,965	82,209
Eating and Drinking Places	952,970	951,632	1,019,966	1,111,150	1,158,608
Home Furnishings and Appliances	407,611	437,556	510,736	515,133	512,423
Building Materials and Farm Implements	805,131	797,381	915,860	929,948	908,205
Service Stations	655,492	655,484	714,645	827,759	911,191
Automobile, Boat, Motorcycle and Plane Dealers and Parts Outlets	24,279	21,611	22,120	31,972	27,634
Total Retail Outlets	7,700,365	7,701,536	8,088,935	8,495,119	8,723,143
Business and Personal Services	540,008	484,754	480,851	614,539	677,986
All Other Outlets	3,374,436	3,172,149	3,238,288	3,341,692	3,499,262
Total All Outlets	$11,614,809	$11,358,439	$11,808,074	$12,451,350	$12,900,391

(1) Latest available information.
Source: Taxable Sales In California, California State Board of Equalization.

Construction Activity

The total valuation of building permits issued in the County amounted to approximately $1,464,679,000 in 2007 for both residential and commercial construction. The following table provides a building permit valuation summary for the County for 2003 through 2007:

COUNTY OF SAN MATEO
NEW BUILDING PERMIT VALUATION
2003 THROUGH 2007[(1)]
($ in Thousands)

Type of Permit	2003	2004	2005	2006	2007
Residential:					
New Single-Dwelling	$257,901	$281,409	$216,142	$227,781	$316,491
New Multi-Dwelling	86,889	48,006	65,457	101,114	67,181
Additions/Alterations	265,316	272,003	282,584	305,663	274,264
Total Residential	$610,105	$601,418	$564,182	$634,559	$657,936
Non Residential:					
New Commercial	$14,481	$131,712	$62,355	$218,651	$366,581
New Industrial	0	5,541	50,701	127,901	29,264
Other	52,574	53,168	60,459	50,058	74,829
Additions/Alterations	168,497	199,460	229,201	329,062	336,069
Total Non Residential	$235,551	$389,881	$402,716	$725,672	806,743
Total Valuation	$845,656	$991,298	$966,898	$1,360,229	1,464,679

(1) As of December 31 of the year shown.
Source: Construction Industry Research Board.

Note: Totals may not add up due to independent rounding.

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 2006-07 included 35.3 million passengers, an increase of 2.2 million passengers or 6.8% from the previous period. Seventy-four major passenger and commuter airlines fly from the Airport, and approximately thirty-four of them serve international destinations.

In 2006–07, the Airport handled 569,948 metric tons of cargo, a decrease of approximately 23,622 metric tons or 4.0% less than 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 18,200 people are employed at the Airport by the airlines, cargo carriers, restaurants, aviation suppliers and other Airport-related businesses.

SAN FRANCISCO INTERNATIONAL AIRPORT
Passenger, Cargo and Mail Data
June 30, 2002–03 through June 30, 2006-07

June 30	Passengers Enplanements and Deplanements	Freight and Express Air Cargo and U.S. and Foreign Mail (Metric Tons)
2002-03	28,786,385	606,879
2003-04	32,156,828	552,118
2004-05	32,802,363	587,635
2005-06	33,077,923	593,570
2006-07	35,317,241	569,948

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 2006–07, the Port handled 1.44 metric tons of cargo.

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. In June 2003 BART completed the four new BART stations and the extension that connect BART to San Francisco International Airport. The system will serve an estimated 70,000 new daily riders by 2010, eliminate 10,000 daily auto trips to SFO and provide congestion relief on one of the County's main transportation corridors. The project features an intermodal cross-platform connection linking commuter rail, rapid rail, and the County's bus system with the connecting track into the airport. Riders are able to buy passes that allow them to use conveniently any combination of transit systems in the Bay Area.

Caltrain, the three-county commuter railway system that runs between San Francisco and Gilroy, added its lines of express service from San Francisco to San Jose in 2004, known as the "Baby Bullet". Due to the popularity of the Baby Bullet lines and the subsequent result in Caltrain's increased ridership, Caltrain has been able to add more Baby Bullet lines to its daily service for a current total of 22 Baby Bullet trains per day. Since the addition of this express service, ridership has increased by 44.8%. Since the Peninsula Corridor Joint Powers Board assumed responsibility for Caltrain in 1992, overall ridership has increased 30%.

APPENDIX B

BOOK-ENTRY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the Corporation takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2008 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2008 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2008 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The DTC will act as securities depository for the 2008 Bonds. The 2008 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of each Series of the 2008 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2008 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 2008 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Payments of principal of, premium, if any, and interest on the 2008 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Corporation or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2008 Bonds at any time by giving reasonable notice to Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC, and none of the Authority or the Trustee take any responsibility for the accuracy thereof.

APPENDIX C

AUDITED COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR 2006-2007

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

[TO COME FROM BOND COUNSEL]

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[TO COME FROM BOND COUNSEL]