PRELIMINARY OFFICIAL STATEMENT DATED [NOVEMBER __], 2009

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 2009 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 2009 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 2009 Bonds. See "TAX MATTERS." **[TO BE REVIEWED BY BOND COUNSEL]**

NEW ISSUE – FULL BOOK ENTRY

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

$[________________]*
San Mateo County Joint Powers Financing Authority
Lease Revenue Bonds
(Capital Projects)
2009 Refunding Series A

Dated: Date of Delivery

Due: July 15, as shown below

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 Lease Revenue Bonds (Capital Projects), 2009 Refunding Series A (the "2009 Bonds"). The 2009 Bonds are being issued by the Authority pursuant to a Trust Agreement, dated as of April 15, 1994, as supplemented from time to time, including as supplemented by the Sixth Supplemental Trust Agreement, dated as of December 1, 2009 (collectively, the "Trust Agreement"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), pursuant to which the Authority has previously issued its $124,355,000 aggregate principal amount of Lease Revenue Bonds (San Mateo County Health Center), 1994 Series A (the "1994 Bonds"), its $19,225,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects), 1995 Series A (the "1995 Bonds"), its $63,205,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects), 1997 Series A (the "1997 Bonds"), its $113,140,000 Lease Revenue Bonds (Capital Projects), 1999 Refunding Series A (the "1999 Bonds"), its $24,370,000 Lease Revenue Bonds (Capital Projects), 2001 Series A, and its $8,520,000 Lease Revenue Bonds (Capital Projects), 2001 Series B (collectively, the "2001 Bonds"). The 2009 Bonds are being issued for the purpose of providing funds, together with other available moneys, to refund the outstanding 1997 Bonds and the outstanding 1999 Bonds (collectively, the "Prior Bonds"), to pay costs of issuance of the 2009 Bonds and to pay other costs relating to the refunding of the Prior Bonds. See "PLAN OF REFUNDING" herein.

The 2009 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 2009 Bonds, and individual purchases of the 2009 Bonds will be made in book-entry form only. Ownership interests in the 2009 Bonds will be in denominations of $5,000 and integral multiples thereof. Beneficial owners of the 2009 Bonds will not receive physical certificates representing the 2009 Bonds purchased, but will receive a credit balance on the books of the nominees of such purchasers. Interest on the 2009 Bonds is payable on January 15 and July 15 of each year, commencing January 15, 2010. Principal, premium, if any, and interest on the 2009 Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2009 Bonds, as described herein. See APPENDIX B – "BOOK-ENTRY SYSTEM" attached hereto.

The 2009 Bonds are subject to optional, extraordinary and mandatory redemption prior to maturity, all as described herein. See "THE 2009 BONDS—Redemption of the 2009 Bonds" herein.

The 2009 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 of San Mateo (the "County") under a Master Facility Lease, dated as of April 15, 1994, as amended from time to time, including as amended by the Fourth Amendment to the Master Facility Lease, dated as of September 1, 2001 (collectively, the "Master Facility Lease"), by and between the Authority and the County, for the right to use and possession of certain real property and facilities (the "Leased Property"), as more fully described herein. The County has agreed in the Master Facility Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event of material damage to or destruction of the Leased Property or a taking of the Leased Property in whole or in part. Pursuant to the Trust Agreement, the 2009 Bonds are secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the 2001 Bonds, the 1995 Bonds, the 1994 Bonds and any additional bonds issued under the Trust Agreement.

The 2009 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 2009 Bonds nor for the payment of Base Rental Payments. Neither the payment of the principal of or interest on the 2009 Bonds nor the obligation to make Base Rental Payments constitutes a debt, liability or obligation of the Authority, the County or any Member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

MATURITY SCHEDULE

$_________ Serial Bonds*

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

$[___________]* [______]% Term Bonds due July 15, [_____] – Yield [_______]% CUSIP† Number: [_______]

$[___________]* [______]% Term Bonds due July 15, [_____] – Yield [_______]% CUSIP† Number: [_______]

The 2009 Bonds are offered when, as and if issued, subject to approval of validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Authority, 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 2009 Bonds will be available for delivery through the DTC book-entry system in New York, New York, on or about [December 11, 2009].

[Wedbush logo] **De La Rosa & Co.**

_____________, 2009

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* Preliminary, subject to change.

† A registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw–Hill Companies, Inc. None of the County, the Authority or the Underwriters assumes responsibility for the accuracy of such numbers.

COUNTY OF SAN MATEO

Board of Supervisors

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

County Officials

David S. Boesch, County Manager
Tom Huening, County Controller
Lee Buffington, County Treasurer-Tax Collector
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 Advisor

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

[Grant Thornton LLP
Verification Agent]

No dealer, broker, salesperson or any other person has been authorized by the Authority, the County or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or 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 2009 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 2009 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 filed with the Municipal Securities Rulemaking Board.

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 2009 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2009 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
Lease Revenue Bonds
(Capital Projects)
2009 Refunding Series A

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 2009 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 PRINCIPAL LEGAL DOCUMENTS—Certain Definitions" herein.

Purpose

The purpose of this Official Statement, including the cover page and appendices hereto, is to provide certain information concerning the sale and delivery by the San Mateo County Joint Powers Financing Authority (the "Authority") of its $[____________]* Lease Revenue Bonds (Capital Projects), 2009 Refunding Series A (the "2009 Bonds").

The 2009 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 (Capital Projects), 1997 Series A (the "1997 Bonds," as further described below) and the Authority's Outstanding Lease Revenue Bonds (Capital Projects), 1999 Refunding Series A (the "1999 Bonds," as further described below, and, together with the 1997 Bonds, the "Prior Bonds"), and to pay costs of issuance of the 2009 Bonds and other costs relating to the refunding of the Prior Bonds. See "PLAN OF REFUNDING" herein.

Authority for Issuance of the 2009 Bonds

The 2009 Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the "Bond Act"), and a Sixth Supplemental Trust Agreement, dated as of December 1, 2009, supplementing the Trust Agreement, dated as of April 15, 1994, as further supplemented by the First Supplemental Trust Agreement, dated as of April 1, 1995; the Second Supplemental Trust Agreement, dated as of December 1, 1997; the Third Supplemental Trust Agreement, dated as of January 1, 1999; the Fourth Supplemental Trust Agreement, dated as of February 15, 1999; and the Fifth Supplemental Trust Agreement, dated as of September 1, 2001 (collectively, the "Trust Agreement"), by and between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), pursuant to which the Authority has previously issued its $124,355,000 aggregate principal amount of Lease Revenue Bonds (San Mateo County Health Center), 1994 Series A (the "1994 Bonds"); its $19,225,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects), 1995 Series A (the "1995 Bonds"); its $63,205,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects), 1997 Series A (the "1997 Bonds"); its $113,140,000 aggregate principal amount of Lease Revenue Bonds (Capital Projects), 1999 Refunding Series A (the "1999 Bonds"); its $24,370,000 Lease Revenue Bonds (Capital Projects), 2001 Series A; and its $8,520,000 Lease Revenue Bonds (Capital Projects), 2001 Series B (collectively, the "2001 Bonds"). Following delivery of the 2009 Bonds, only the 2001 Bonds and the 2009 Bonds shall be outstanding. Together with any additional bonds issued under the Trust Agreement, they are collectively referred to herein as the "Bonds."

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* Preliminary, subject to change.

Security for the 2009 Bonds

The 2009 Bonds are limited obligations of the Authority payable solely from, and secured solely by, Revenues of the Authority, consisting primarily of Base Rental Payments to be received by the Authority from the County under a Master Facility Lease, dated as of April 15, 1994; as amended by the First Amendment to Master Facility Lease, dated as of April 1, 1995; the Second Amendment to Master Facility Lease, dated as of December 1, 1997; the Third Amendment to Master Facility Lease, dated as of January 1, 1999; and the Fourth Amendment to Master Facility Lease dated as of September 1, 2001 (collectively, the "Master Facility Lease"), by and between the Authority and the County. The Base Rental Payments to be made by the County pursuant to the Master Facility Lease are payable by the County from its General Fund to the Authority for the right to use and possession by the County of: (i) the real property and facilities comprising the San Mateo County Health Center, (ii) the County's Flood Park, (iii) the real property and the facilities comprising the County's Office Building Project, (iv) subject to the prior lease of such property in connection with the Authority's Lease Revenue Bonds Series of 1993 (North County Satellite Clinic Project) (the "1993 Bonds"), the real property and facilities comprising the County's North County Satellite Clinic, and (v) the real property and facilities comprising the County Crime Lab (collectively, the "Leased Property"). The County has agreed in the Master Facility Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event of delayed completion or material damage to or destruction of the Leased Property or a taking of the Leased Property in whole or in part.

Pursuant to a Master Site Lease, dated as of April 15, 1994, as amended by the First Amendment to Master Site Lease, dated September 1, 1995; the Second Amendment to Master Site Lease, dated as of December 1, 1997; the Third Amendment to Master Site Lease, dated as of January 1, 1999; and the Fourth Amendment to Master Site Lease, dated as of September 1, 2001 (collectively, the "Master 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 2009 Bonds Constitute Limited Obligations

The 2009 Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the funds pledged pursuant to the Trust Agreement. Neither the full faith and credit of the Authority, the County or any member of the Authority is pledged for the payment of the interest on or principal of the 2009 Bonds nor for the payment of Base Rental Payments. Neither the payment of the principal of or interest on the 2009 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.

Bondowners' Risks

Certain events could affect the County's ability to make the Base Rental Payments when due. See "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2009 Bonds.

Continuing Disclosure

The County has covenanted pursuant to a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") to provide certain financial information and operating data relating to the County by not later than nine months after the end of its Fiscal Year (currently June 30), commencing with the Fiscal Year ending June 30, 2009 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events (the "Listed Events"), if material. The Annual Report and the notices of material events will be filed by the County with the Municipal Securities Rulemaking Board (the "MSRB") or any other entity designated or authorized by the Securities and Exchange Commission (the "SEC") to receive such reports. Until otherwise designated by the MSRB or the SEC, filings with the MSRB will be made through the Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at http://emma.msrb.org. These covenants will be made in order to assist the Underwriters in complying with Rule 15c2-12 of the SEC (the "Rule"). As of the date hereof, the County has never failed to comply in any material respect with any previous undertakings with regard to the provision of annual reports or notices of material events as required by the Rule. **[County: please confirm.]** See "CONTINUING DISCLOSURE" and APPENDIX F – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

Summaries Not Definitive

Brief descriptions of the 2009 Bonds, the Authority, the County and the Leased Property are included in this Official Statement, together with summaries of the Master Site Lease, the Master Facility Lease and the Trust Agreement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the 2009 Bonds, the Master Site Lease, the Master Facility Lease and the Trust Agreement are qualified in their entirety by reference to the actual documents, or with respect to the 2009 Bonds, the forms thereof included in the Trust Agreement, copies of all of which are available for inspection at the corporate trust office of the Trustee at 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 2009 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 for Administrative Services
County of San Mateo
Hall of Justice and Records
400 County Center, First Floor
Redwood City, California 94063
(650) 363-4130

PLAN OF REFUNDING

The net proceeds of the 2009 Bonds, together with other available moneys, will be used to redeem the 1997 Bonds on [____________, 2009]* and the 1999 Bonds on [____________, 2009]*, all 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 the proceeds of the 2009 Bonds and other available amounts are as follows:

Sources of Funds	
Principal Amount of Bonds	
[Plus/less Original Issue Premium/Discount]	
Amounts currently on deposit in the Reserve Fund and Interest Reserve Account	
[Contribution from the County]	
Total Sources	
Uses of Funds	
Refunding of the Prior Bonds	
Costs of Issuance(1)	
Total Uses	

* Preliminary, subject to change.

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

THE 2009 BONDS

General

The 2009 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2009 Bonds. Payments of principal, premium, if any, and interest on the 2009 Bonds will be paid by the Trustee to DTC which is obligated in turn to remit such principal, premium, if any, and interest on the 2009 Bonds to its DTC Participants for subsequent disbursement to the Beneficial Owners (as defined below) of the 2009 Bonds. See "DTC and the Book-Entry System" below.

The 2009 Bonds will be dated the date of their initial delivery and will bear interest from such date payable on January 15, 2010, and semi-annually thereafter on January 15 and July 15 of each year. Interest on the 2009 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. Ownership interests in each series of the 2009 Bonds will be in denominations of $5,000 principal amount or any integral multiple thereof ("Authorized Denominations").

Redemption of the 2009 Bonds

Optional Redemption. The 2009 Bonds maturing on or before July 15, 20__ are not subject to optional redemption prior to their respective stated maturities. The 2009 Bonds maturing on or after July 15, 20__ are subject to optional redemption prior to their respective stated maturities at the written direction of the Authority, from any moneys deposited by the Authority or the County, as a whole or in part (in such maturities as are designated in writing by the Authority to the Trustee) on any date on or after ______, 20__, at a redemption price equal to the sum of the principal amount of the 2009 Bonds called for redemption plus accrued interest thereon to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The 2009 Bonds maturing on July 15, 20__, upon notice as provided in the Trust Agreement, are subject to mandatory sinking fund redemption prior to maturity, in part on July 15 of each year on and after July 15, 20__, by lot, from and in the amount of the mandatory sinking account payments due and payable on such dates, at a redemption price equal to the sum of the principal amount thereof, plus accrued interest thereon to the redemption date, without premium, in the amounts and on the dates set forth below:

2009 Bonds Maturing
July 15, 20__

Sinking Fund Payment Date (July 15)	Principal Amount
	$
†	

† Final Maturity.

Mandatory Sinking Fund Redemption. The 2009 Bonds maturing on July 15, 20__, upon notice as provided in the Trust Agreement, are subject to mandatory sinking fund redemption prior to maturity, in part on July 15 of each year on and after July 15, 20__, by lot, from and in the amount of the mandatory sinking account payments due and payable on such dates, at a redemption price equal to the sum of the principal amount thereof, plus accrued interest thereon to the redemption date, without premium, in the amounts and on the dates set forth below:

2009 Bonds Maturing
July 15, 20__

Sinking Fund Payment Date (July 15)	Principal Amount
	$
†	

† Final Maturity.

Extraordinary Redemption. The 2009 Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as provided in the Trust Agreement, as a whole or in part by lot within each stated maturity of the 2009 Bonds, in integral multiples of Authorized Denominations, from prepayments made by the County from the net proceeds received by the County due to a taking of the Leased Property or portions thereof under the power of eminent domain, or from the net proceeds of insurance received for material damage to or destruction of the Leased Property or portions thereof or from the net proceeds of title insurance, under the circumstances described in the Trust Agreement and the Master Facility Lease, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereon to the date of redemption. Whenever less than all of the Outstanding 2009 Bonds are to be redeemed on any one date, the Trustee shall select the amount of and interest on the 2009 Bonds to be redeemed so that the aggregate annual pricipal amount of and interest on the 2009 Bonds which will be payable after such date of redemption will be as nearly proportional as practicable to the aggregate annual principal amount of and interest on the 2009 Bonds outstanding prior to such date of redemption.

Selection of 2009 Bonds for Redemption

If less than all of the Outstanding 2009 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the 2009 Bonds of such maturity to be redeemed in any manner that the Trustee deems appropriate and fair and shall promptly notify the Authority in writing of the numbers of the 2009 Bonds so selected for redemption. For purposes of such selection, the 2009 Bonds shall be deemed to be composed of $5,000 multiples and any such multiple may be separately redeemed. In the event term 2009 Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption.

Notice of Redemption

Notice of redemption of any 2009 Bond will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, to the respective owners of the 2009 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. So long as DTC is acting as the securities depository for the 2009 Bonds, notice of redemption will be mailed to DTC, not to the Beneficial Owners of the 2009 Bonds. In the event of redemption of 2009 Bonds (other than sinking fund redemptions), the Trustee shall mail a notice of optional or extraordinary redemption, other than any notice that refers to 2009 Bonds that are to be redeemed from proceeds of a refunding bond issue, only if sufficient funds have been deposited with the Trustee to pay the applicable redemption price of the 2009 Bonds to be redeemed.

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

Effect of Redemption

If notice of redemption has been duly given pursuant to the Trust Agreement and money for the payment of the redemption price of the 2009 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice the 2009 Bonds so called for redemption shall become due and payable, and from and after the date so designated for redemption, the interest on such 2009 Bonds will cease to accrue. Such 2009 Bonds will cease to be entitled to any benefit or security under the Trust Agreement and the bondholders of such 2009 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

DTC and the Book-Entry System

DTC will act as securities depository for the 2009 Bonds. The 2009 Bonds are being issued in fully-registered form and, when issued, will be registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered 2009 Bond certificate will be issued for each maturity of the 2009 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. So long as Cede & Co. is the registered owner of the 2009 Bonds, as nominee of DTC, references herein to the owners of the 2009 Bonds shall mean Cede & Co. and shall not mean the actual purchasers of the 2009 Bonds (the "Beneficial Owners"). The information in this section and in Appendix B concerning DTC and DTC's book-entry system is based solely on information provided by DTC, and no representations can be made by the County, the Authority or the Trustee concerning the accuracy thereof. See "APPENDIX B – BOOK-ENTRY SYSTEM" for a further description of DTC and its book-entry system.

Annual Debt Service Requirement

The following table sets forth the amounts required to be made available for the payment of principal (whether at maturity or by sinking account payments) and interest due on the 2009 Bonds on an annual basis:

Period Ending (June 30)	Principal	Interest	Total Debt Service
2010	$	$	$
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
Total:	$	$	$

THE LEASED PROPERTY

The Leased Property includes (i) the real property and facilities comprising the San Mateo County Health Center, (ii) the County's Flood Park, (iii) the real property and the facilities known as the County's Office Building Project, (iv) subject to the prior lease of such property in connection with the 1993 Bonds, the real property and facilities comprising the County's North County Satellite Clinic, and (v) the real property and facilities comprising the County Crime Lab.

County Health Center

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 11 clinics. The hospital serves as the hub of the County's medical care safety net, serving low-income residents insured through public coverage programs and the uninsured. The hospital provides a full array of emergency, in-patient, psychiatric, imaging, laboratory, specialty health, skilled nursing, and surgical services. The medical/surgical, psychiatric, and intensive care units have an annual total of about 28,000 inpatient days. The surgery service and operating room also accommodates almost 2,400 surgeries annually. Additionally, the hospital operates both an acute Emergency Room (the "ER") and Psychiatric Emergency Services ("PES"). The acute ER has over 30,000 visits each year, while PES has almost 3,000 visits each year. The Medical Center provides access to healthcare across the County through a network of 11 community clinics. The clinics currently accommodate over 226,000 visits per year.

Construction commenced in May 1994 and was completed in [______]. The total cost of the construction of the San Mateo County Health Center was approximately $134.7 million and the insured value is $[_______].

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

The Office Building Project

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

Construction commenced in April 1998 and was completed in July 1999. The total cost of the Office Building Project was approximately $23.3 million and the insured value is $[_______].

North County Satellite Clinic

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

Construction of the facility was completed in [________ ____], and the total project cost was approximately $7,500,000, which was funded from the proceeds of the 1993 Bonds. The insured value of the facility is $[_______]

County Crime Lab

The County Crime Lab consists of a one-story building of approximately 30,000 square feet, and its construction was designed to provide optimal energy conservation. The exterior consists of split-face concrete block, and high solar-efficient glass was used for daylighting through exterior walls and skylights. Variable-volume fume hoods draw energy only when active and all mechanical and electrical systems have been interfaced with sensitive sensor controls to reduce energy consumption. In addition, the building's sloping roofs were designed for photovoltaic arrays capable of generating 180 kW, one-third of the building's projected electrical demand. The facility houses 31 Crime Lab staff that consist of 24 criminalists and forensic specialists, two property officers, and five administrative staff that serve all criminal justice agencies in the County by providing specialized investigative and scientific analytical services and expert testimony to support the investigation and adjudication of alleged criminal activity. The Crime Lab processes over 8,500 items each year, including firearms, latent prints and forensic biology items for DNA analysis. The Crime Lab also houses the Administration and Investigation Units of the County Coroner's Office, including seven criminal investigators and five administrative staff. The Coroner's Office receives over 3,000 death reports each year and investigates approximately 530 cases annually. Autopsies are performed at the San Mateo Medical Center.

Construction commenced in [_________] and was completed in [_________]. The total cost of the construction of the County Crime Lab was approximately $12.9 million and the insured value is $[_______].

Flood Park

Flood Park, a 21-acre parcel, is located along the northerly side of Bay Road between Marsh Road and Ringwood Avenue in the City of Menlo Park. Flood Park is a portion of the Old Flood Estate and is famous for its large native Oak and Bay trees.

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

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

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

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

SECURITY FOR THE 2009 BONDS

Pledge Under the Trust Agreement

The Trust Agreement provides that the 2009 Bonds are payable solely from, and are secured by a lien on, (a) all Base Rental Payments and other payments paid by the County and received by the Authority under the Master Facility Lease as further described below, (b) all interest and other income derived from certain funds held under the Trust Agreement, and (c) any moneys payable to the Authority pursuant to an interest rate swap, cap, floor, collar or other hedging transaction (a "Swap") entered into by the Authority for the purpose of managing interest rate risk with respect to Bonds or any Additional Bonds (collectively, the "Revenues") and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than the Rebate Fund), all under the terms and conditions set forth in the Trust Agreement. Pursuant to the Trust Agreement, the 2009 Bonds are secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the outstanding 2001 Bonds. As and to the extent set forth in the Trust Agreement, all the Revenues are irrevocably pledged for the security and payment of the Bonds and the sum payable by the Authority in connection with any Swaps; but nevertheless out of the Revenues certain amounts may be applied for other purposes as provided in the Trust Agreement.

The Authority has not entered into any Swap in connection with the Bonds, and, as of the date hereof, the County does not anticipate that any Bonds will have associated Swaps.

The 2009 Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the funds pledged pursuant to the Trust Agreement. Neither the full faith and credit of the Authority, the County or any Member of the Authority is pledged for the payment of the interest on or principal of the 2009 Bonds nor for the payment of Base Rental Payments under the Master Facility Lease. Neither the payment of

the principal of or interest on the 2009 Bonds nor the obligation to make Base Rental Payments under the Master Facility Lease constitutes a debt, liability or obligation of the Authority, the County or any Member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Outstanding Parity Bonds

As of October 1, 2009, the Authority had outstanding $172,005,000 aggregate principal amount of Bonds comprised of $44,405,000 principal amount of 1997 Bonds, $104,985,000 principal amount of 1999 Bonds and $22,615,000 principal amount of 2001 Bonds, secured by a pledge, charge and lien upon the Revenues equal to the pledge, charge and lien securing the 2009 Bonds. The net proceeds of the 2009 Bonds will be used to redeem the outstanding 1997 Bonds and the outstanding 1999 Bonds.

Base Rental Payments

Revenues of the Authority pledged under the Trust Agreement to the payment of the 2009 Bonds consist primarily of the Base Rental Payments to be made by the County to the Authority under the Master Facility Lease. The obligation of the County to pay Base Rental Payments to the Authority when due is a General Fund obligation of the County. THE COUNTY HAS NOT PLEDGED THE FULL FAITH AND CREDIT OF THE COUNTY, THE STATE OR ANY AGENCY OR DEPARTMENT THEREOF TO THE PAYMENT OF SUCH BASE RENTAL PAYMENTS.

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

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

Reserve Fund

Upon issuance of the 2009 Bonds, there will remain in the Reserve Fund, established pursuant to the Trust Agreement, an amount equal to the Reserve Fund Requirement. Of this amount, a portion has been funded with proceeds from other Series of Bonds issued under the Trust Agreement as described herein. The balance of the Reserve Fund Requirement has been funded with municipal bond debt service reserve insurance policies issued by Financial Security Assurance Inc. pursuant to the provisions described below. [One such reserve insurance policy in the initial amount of $167,527.00 expires on July 15, 2029 and the other such reserve insurance policy in the initial amount of $5,300,000 expires on July 15, 2032. The initial amounts of such reserve insurance policies reduce proportionately with a reduction in the Reserve Requirement so that following the reduction the amount of the policy is the same ratio of the policy amount to the Reserve Requirement as of the effective date of such policy.] See also "Investment of Bond Funds" below. All money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Bonds or for the retirement of all the Bonds (including the 2009 Bonds and the 2001 Bonds, all of which are secured by the Reserve Fund) then outstanding, except that so long as the Authority is not in default under the Trust Agreement, any cash amounts in the Reserve Fund in excess of the Reserve Fund Requirement may be withdrawn from the Reserve Fund and deposited in the Revenue Fund, on or before each interest payment date. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE TRUST AGREEMENT—Revenue Fund" herein.

Insurance

The Master Facility Lease does not require the County to maintain insurance on the Leased Property against certain risks such as earthquakes except during the period of construction of the construction components of the Leased Property. 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 "COUNTY FINANCIAL INFORMATION - Self-Insurance Programs" herein. However, there is no title insurance on the Leased Property.

Substitution of Leased Property

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

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

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

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

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

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

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

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

Additional Bonds

In addition to the 2009 Bonds and the 2001 Bonds, the Authority and the Trustee may, with the prior written consent of the insurer of any Bonds, by supplemental Trust Agreement provide for the issuance of Additional Bonds, subject to satisfaction of certain provisions contained in the Trust Agreement. Additional Bonds will be payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the outstanding Bonds theretofore issued under the Trust Agreement, subject to the terms and conditions of the Trust Agreement. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE TRUST AGREEMENT—Additional Bonds" herein. See also "APPENDIX A – THE COUNTY OF SAN MATEO – County Debt Limit" herein. In addition, the Authority may, with the prior written consent of the insurer of any Bonds, enter into swap agreements, payments under which would be on a parity with the Bonds. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE TRUST AGREEMENT—Pledge of Revenues; Creation of Special Funds and Accounts" herein.

Investment of Bond Funds

Pursuant to the Trust Agreement, all money held by the Trustee in any of the funds or accounts established pursuant to the Trust Agreement are required to be invested only in "Permitted Investments" as defined in the Trust Agreement. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – CERTAIN DEFINITIONS," herein.

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 14th largest county in the State, with 707,163 persons according to the 2000 U.S. Census and 745,858 persons according to the California Department of Finance population estimates as of January 1, 2009. The county seat is located in Redwood City.

As of January 1, 2009, approximately 66,435 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. **[County: please confirm]**

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

Mark Church was elected to the Board in 2000 and assumed office in January 2001. He currently serves as Board 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 *Bachelor of Arts* 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 current member of the Samtrans Board of Directors, Caltrain JPB and the Transbay Joint Powers Authority and serves on the San Mateo Medical Center Board of Directors. Supervisor Church also serves as Chairman of the State Seismic Safety Commission. He was appointed to the 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 has been re-elected three times. In 2007, Supervisor Jacobs Gibson served her second term as President of the 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 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." Also, she founded HAGAR, 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. Beyond her Board leadership positions, Supervisor Jacobs Gibson serves as President of the Association of Bay Area Governments (ABAG), Chair of the San Mateo County's Housing Endowment and Regional Trust (HEART) Board, and Chair of the National Association of Counties (NACO) Welfare, Social Services and Immigration Subcommittee. Also, the Supervisor serves on the California State Association of Counties (CSAC) Health and Human Services Committee, National Association of Counties (NACO) Human Services and Education Steering Committee, Juvenile Justice and Delinquency Prevention Commission, and Redwood City 2020. 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 *Bachelor 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 Immediate Past 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.

Carole Groom was appointed to the Board on January 6, 2009. Prior to joining the Board, she served nine years on the San Mateo City Council, including two terms as Mayor. She also served on the City of San Mateo's Planning and Public Works Commissions. Supervisor Groom's legislative priorities include universal health coverage, increasing our County's stock of affordable housing through transit-oriented development, environmental protection, maintaining and preserving our County's parks, and growing our local economy. She currently serves on the boards of the Bay Area Air Quality Management District, the Transportation Authority, and the Blue Ribbon Task Force on Adult Health Coverage Expansion. Her professional experience includes 18 years as a Vice President of Mills-Peninsula Health Services. Prior to that, Supervisor Groom was Director of Marketing for the Hillsdale Shopping Center. She serves on the Boards of Directors of the San Mateo Police Activities League and Leadership San Mateo, and is an Advisory Board Member of Palcare, a non-profit school and childcare center. Supervisor

Groom also serves as Chair of the Board's Housing, Health and Human Services Committee and Vice Chair of the Board's Environmental Quality Committee. She is resides in the City of San Mateo.

Adrienne J. Tissier was first elected to the Board in November 2004 and assumed office in January 2005. Supervisor Tissier served as Board President during 2008 and was re-elected to a second term that June. She is the current Chair of the Board of Directors of the Health Plan of San Mateo, Vice Chair of the Metropolitan Transportation Commission, a regional transportation financing body, and serves on the San Mateo County Transit District's (SamTrans) Board of Directors. She serves as Chair of the Board's Criminal Justice Committee and Vice Chair on the Board's Legislative Committee. Supervisor Tissier is the Board liaison to the Commission on Aging and the Commission on the Status of Women. Since first taking office in 2005 as the District 5 Supervisor, she has focused on streamlining government services, while helping to prepare the County to meet the needs of rapidly aging population. Through SamTrans, she has been deeply involved in a countywide plan to improve transportation and mobility options for seniors. Before her election to the Board, Supervisor Tissier was a businesswoman for more than 20 years and served as a councilmember in Daly City for eight years (1997-2004), including two terms as mayor (1999 and 2003). Supervisor Tissier holds an economics degree from the University of California, Berkeley, and lives in Daly City. She is an avid golfer and a long-time fan of the San Francisco Giants.

David S. Boesch has served as the County Manager since January 1, 2009. He was appointed the Assistant County Manager in 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 of Arts* degree in Public Administration from the John F. Kennedy School of Government at Harvard University and a *Bachelor of Arts* 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 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

[PORTIONS TO BE UPDATED BY COUNTY]

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 2008-09, the average daily inmate population of all County jails, which consist of the Maguire Correctional Facility, the Women's Correctional Center, the Minimum Security Transitional Facility and the Weekender Dorm, was 1,125 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 refinanced with the proceeds of the Authority's Refunding Lease Revenue Bonds (Youth Services Campus), 2008 Series A. 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 $112.3 million in the adopted budget for fiscal year 2009-10. This represents an increase of approximately $494,000 from fiscal year 2008-09's budget of $111.8 million. The Board approved $618.9 million for fiscal year 2009-10 in total requirements (expenditures and department reserves) for all health services programs in the adopted budget, or approximately 51.0% of the County's General Fund requirements.

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 11 clinics. As described under "THE LEASED PROPERTY—County Health Center" herein, 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 233,241 ambulatory visits to County residents in the past year. In fiscal year 2008-09, the Medical Center received an $81.8 million contribution from the General Fund. This included one-time contributions of $6.8 million to cover an Office of Inspector General (OIG) settlement agreement for falsely reporting acute bed counts on Medicare cost reports in prior years and $2.9 million to cover a year-end shortfall in General Fund subsidy brought about by the implementation of the new Health Plan of San Mateo's Third Party Administrator Program, whereby the Health Plan of San Mateo administers indigent health care billings on behalf of the Medical Center. The contribution from the General Fund for fiscal year 2009-10 is budgeted at $66.6 million, and the County has plans to reduce the contribution to $50 million by fiscal year 2013-14. 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 2007-2008."

The adopted budget for the Medical Center, including capital purchases, is $256.2 million for fiscal year 2009-10, an increase of 2.3% over fiscal year 2008–09. The Medical Center budget will depend largely upon net patient revenue, including the Medi-Cal program, of $104.8 million for fiscal year 2009–10.

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 $28.1 million in the adopted budget for fiscal year 2009-10. This represents a 4.4% increase from fiscal year 2008-09. The Board approved $204.6 million in total requirements for all human services programs in the adopted budget for fiscal year 2009-10 or approximately 16.8% of the County's General Fund requirements. The cost of all human service programs is being funded with approximately 54.7% of State funds, approximately 25.8% of federal funds and approximately 13.7% of County funds, and with the remainder being funded from miscellaneous revenues, charges for services and existing fund balances.

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, 2009, the number of permanent employment positions was 5,844. 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]

2000	4,750
2001	4,834
2002	5,031
2003	5,062
2004	5,330
2005	5,285
2006	5,547
2007	5,719
2008	5,871
2009	5,844

Source: County of San Mateo.

Employee Relations and Collective Bargaining

County employees are represented by 27 bargaining units of ten represented and three unrepresented 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 521 representing approximately 61% of all County employees in a variety of classifications.

There has never been any major work stoppage by County employees. About 87.5% of all County employees are covered under negotiated agreements. Labor contracts are in place through October 31, 2009 for the majority of County employees. [As of October 19, 2009, negotiations were underway with AFSCME, BCTC and SEIU and the County anticipates resolving negotiations before the existing contracts expire.] [**County: please update again before POS printing.**] Labor contracts are in place for Registered Nurses through January 22, 2011; 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 October 1, 2009)

Bargaining Agents	Number of Employees(1)	Contract Expiration Date
AFSCME	1,853	October 31, 2009
California Nurses Association	382	January 22, 2011
Deputy Sheriffs Association	407	January 7, 2012
SEIU	1,168	October 31, 2009
Building Construction and Trades Council	80	October 31, 2009
Union of American Physicians and Dentists	106	August 7, 2010
San Mateo County Council of Engineers	11	April 10, 2010
Probation and Detention Association	296	May 29, 2010
Organization of Sheriff's Sergeants	51	October 12, 2013
Law Enforcement	41	June 12, 2010
Non-represented employees:		
Unrepresented Attorneys	74	
Confidential	78	
Management	470	

(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

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 2009-10 was adopted on September 29, 2009.

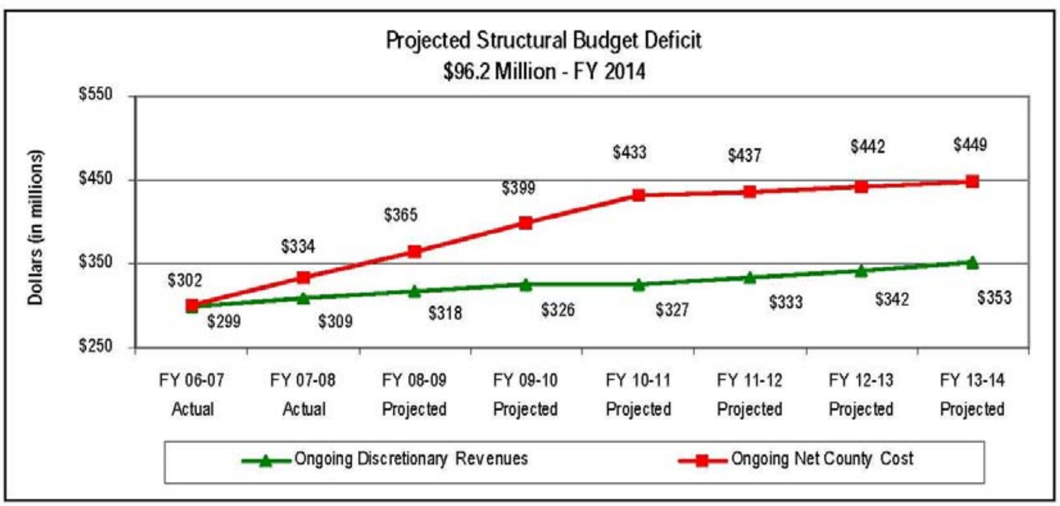
Overview: The County's Fiscal Year 2009-10 Budget and Projected Structural Deficit

The County, like other government entities throughout the State has been adversely impacted by the nation's recession as well as the State's financial crisis.

The County's total budget for 2009-10 amounts to $1.76 billion. Of this total, approximately $1.2 billion consists of the County's General Fund, the County's chief operating fund.

To address a projected $73 million deficit in 2009-10, the County's 2009-10 Budget incorporated reduced General Fund spending of $30.6 million, the elimination of 110 employee positions and the use of approximately $78.1 million of existing reserves, leaving the County with a projected General Fund reserve of $196.9 million as of June 30, 2010.

Moreover the County projects that it will continue to face "structural" General Fund deficits which rise to approximately $106 million in fiscal year 2011-12. These structural deficits reflect the fact that the County's principal cost drivers, particularly salary and benefits and health-care related services, are projected to consistently outpace its revenues. The County's projected structural deficits are illustrated below:



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Factors which have contributed to the County's structural deficit include:

- The housing slump, which has resulted in significant declines in local property tax values and almost no growth in property tax revenues, compared to an average 7% growth in the past six years. For the 2009-10 Budget, the County assumed a 2% growth in secured property taxes, a 10% decline in unsecured property taxes, and a 25% declines in supplemental taxes. Total combined property tax revenues were projected to grow $3.4 million in 2009-10 Budget, compared to $13.5 million in the 2008-09 Budget;

- Rising unemployment in the County, which has risen from 3.9% in February 2008 to approximately 9%, resulting in significant demands for public assistance and safety net services provided the County and community based nonprofit organizations. To help address the demands on services placed on the County's non-profits, the County teamed with Silicon Valley Community Foundation to distribute $1 million in grants to non-profit organizations that are helping San Mateo County residents survive the recession. Of the total amount, $500,000 was provided by the County and $500,000 was part of the Foundation's $1 million safety net fund to be awarded to food and shelter organizations in San Mateo and Santa Clara counties. Funds have been awarded to the non-profits through a competitive grant process;

- A significant decline in consumer spending which has resulted in major reductions in statewide and local sales tax revenue. The 2009-10 Budget assumes that declining State public safety sales tax (Proposition 172) revenues will significantly increase the net cost of operating the County's of its criminal justice departments by 6.8% or $4.4 million, compared to fiscal year 2008-09. However, unlike many other counties in the State which are also experiencing a decline in local sales tax revenue, the County's local sales tax revenue is expected to remain relatively unchanged in the 2009-10 Budget due to the return of jet fuel sales taxes to the County as of January 1, 2008 arising from the operation of San Francisco International Airport. See "APPENDIX A – ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SAN MATEO—Transportation" hereto;

- Investment losses which have resulted in reduced earnings on the County's investment pool, the County's retirement system and CalPERS, which holds the County's retiree health benefit contributions. The 2009-10 Budget includes a reduction of 49% or $5.8 million in interest earnings. More significantly, the County projects significant annual increases of approximately 48% in its contributions for employee retirement benefits beginning in fiscal year 2010-11. The County's General Fund retirement contributions are projected to increase from $80.3 million in fiscal year 2009-10 to $118.4 million in fiscal year 2010-11. For all funds, the projected increase is $48.1 million, from $101.2 million in fiscal year 2009-10 to $149.3 million in fiscal year 2010-11. The increase in the County's retiree health contributions is even more pronounced and occurs one year sooner with an increase of 75%, from $7.3 million in fiscal year 2008-09 to $12.8 million in fiscal year 2009-10. See "COUNTY FINANCIAL INFORMATION—Retirement Program" herein; and

- State cutbacks in health and human services programs, public safety, road repair and parks. The 2009-10 Budget assumes a loss of between $44 and $59 million of State funding, although a portion of this loss will be mitigated by the receipt of federal stimulus moneys (approximately $32.2 million) and the securitization of the State's $22.9 million repayment obligation for borrowing $22.9 million in County property taxes (of which $20.7 million will be returned to the General Fund). See "COUNTY FINANCIAL INFORMATION—Intergovernmental Revenues; Impact of State Financial Situation on County" herein.

It should be noted that, due to the conservative manner in which the County budgets, the projected structural deficits shown above do not include excess property tax distributions made to the County from the Educational Revenue Augmentation Fund ("ERAF"). Over the past six fiscal years, the County General Fund has received approximately $314 million in returned ERAF contributions, including $66.3 million in fiscal year 2008-

09. The County conservatively budgeted the receipt of only $29.3 million of such payments in the 2009-10 Budget. See “Return of Local Property Taxes” below.

County’s Plan to Redress its Structural Deficit

The County engages in a five year budget planning process. The County’s “five year plan” has been modified numerous times to reflect changed conditions and worsening revenue forecast. In 2007, the County adopted a number of guiding principles for future budget actions. These principles include i) undertaking no new expenditures without accompanying new revenue or cost reduction offsets; ii) reducing the growth rate in General Fund net cost to match expected growth in discretionary revenue by managing future cost growth, reducing services, and eliminating positions; iii) reducing General Fund contributions to the Medical Center to a level consistent with State indigent healthcare mandates; and iv) limiting the use of excess ERAF payments to reduction of unfunded liabilities, facilities and technology infrastructure projects, productivity enhancements, cost avoidance, and other one time projects. Based on these guiding principles, the County implemented a hiring freeze in mid-December 2007 and required departments to maintain a minimum 5% vacancy rate.

In late 2008, the County estimated its fiscal year 2013-14 budget deficit, absent corrective measures, at $47 million. More current estimates now project this deficit at $106 million by fiscal year 2010-11. The two principal guiding tools the County employed in addressing the projected $73 million budget gap in fiscal year 2009-10 were the elimination of budgeted positions and use of reserves. The 2009-10 Budget incorporation the elimination of 230 positions (110 in the General Fund), of which 59 were filled, with a resulting total savings of $22.1 million. Approximately $12.9 million of these savings are allocable to the General Fund. Second, the County used its reserves, resulting in projected decline of the County’s General Fund reserve from $238.0 million as of June 30, 2009 to $196.9 million as of June 30, 2010.

The County recognizes that the budget deficit cannot be addressed solely through these tools. Consequently, the County is looking at a multi-prong approach that includes program reductions, reductions in labor costs though contract negotiations, increased efficiencies and the development of new revenues (which will likely require voter approval). The County is also investigating ways to stabilize its labor benefit costs, primarily though such projects as the County’s wellness committee, which is working to identify and implement health incentives/assessments and educate employees about healthy choices. The County is also investigating alternative retiree benefit programs that are less costly than existing plans. Despite these efforts, the County anticipates that significant programmatic reductions may be required if additional revenues are not approved by the voters.

County’s Reserve and Reserve Policies

The Board approved the County Reserves Policy in April 1999 (the “Reserves Policy”). The County’s Fiscal Officers initiated the creation of the Reserves Policy to reduce the negative fiscal impacts on the County during times of economic uncertainty and potential funding losses from other governmental agencies. Fund balances and reserves are viewed as one-time sources of funding used only for one-time purposes or as part of a multi-year financial plan to balance the budget. The County avoids operating deficits created through dependency on one-time funding for ongoing expenditures.

The Reserves Policy establishes minimum requirements for Departmental Reserves, General Fund Appropriation for Contingencies, Reserves for Countywide Capital Improvements and Reserves for Countywide Automation Projects, and provides guidelines for the use of these funds. Pursuant to the Reserves Policy, Departments shall maintain reserves of at least 2% of Net Appropriations to be used only for i) one-time emergencies, ii) unanticipated mid-year losses of funding, iii) short-term coverage of costs associated with unanticipated caseload increases, and iv) short-term coverage of costs to avoid employee lay-offs provided there is a long-term financial plan. The General Fund Appropriation for Contingencies shall be maintained at 3% of total General Fund net appropriations for one-time emergencies and economic uncertainties. The first priority for excess Fund Balance at each fiscal year end is to replenish this amount to maintain the 3% level. The Reserve for Capital Improvements and the Reserve for Countywide Automation Projects shall maintain minimum respective reserves of $1 million.

The following table presents the County’s Ending Budgetary Unreserved Fund Balances.

COUNTY OF SAN MATEO
ENDING BUDGETARY (UNRSERVED) FUND BALANCES

[TABLE TO COME]

Historical Budget Information and Fiscal Year 2009-10 Adopted Budget

The following table presents the County's adopted budget for the 2006-07, 2007-08, 2008-09 and 2009-10 fiscal years.

Table 3
COUNTY OF SAN MATEO
COUNTY BUDGET – GENERAL FUND

	Adopted 2006-07 Budget	Adopted 2007-08 Budget	Adopted 2008-09 Budget	Adopted 2009-10 Budget
REQUIREMENTS:				
General Government	$354,301,810	$337,431,952	$348,481,368	$307,001,130
Public Protection	290,603,184	302,774,770	321,295,305	328,709,630
Health and Sanitation	274,481,600	297,060,474	302,104,215	309,972,539
Public Assistance	221,883,133	237,473,079	241,688,335	229,379,237
Recreation and Culture	7,979,406	8,730,980	8,640,950	8,859,872
Contingencies Requirement	28,243,170	29,524,837	30,415,719	30,324,876
Total Requirements	$1,177,492,303	$1,212,996,092	$1,252,625,892	$1,214,247,284
AVAILABLE FUNDS:				
Available Fund Balance	$303,853,169	$306,090,633	$ 285,425,092	$ 290,449,482
Taxes	273,137,267	288,021,972	332,141,487	305,864,224
Licenses, Permits & Franchises	5,877,719	6,414,205	6,012,689	5,463,360
Fines, Forfeits & Penalties	7,514,195	7,974,919	9,047,163	8,472,218
Use of Money & Property	11,552,944	18,289,423	15,727,139	9,806,788
Intergovernmental Revenue	395,836,496	394,611,618	400,377,447	396,429,922
Charges for Services	84,919,980	91,225,550	94,893,320	95,382,926
Interfund Revenues	68,218,320	70,791,949	68,463,020	73,251,223
Miscellaneous Revenue	26,082,095	28,862,685	37,077,197	28,177,648
Other Financing Sources	500,118	713,138	3,461,338	949,493
Total Available Funds	$1,177,492,303	$1,212,996,092	$ 1,252,625,892	$ 1,214,247,284

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 2008-09 and 2009-10, the approximate percentages of the County's total Governmental Funds revenues were derived as follows:

Table 4
COUNTY OF SAN MATEO
BREAKDOWN OF BUDGETED REVENUE SOURCES
FOR FISCAL YEARS 2008-09 AND 2009-10

	Budgeted 2008-09	**Budgeted 2009-10**
Taxes	25.81%	24.67%
Licenses, Permits and Franchises	0.81	0.77
Fines, Forfeitures and Penalties	0.78	0.76
Use of County Property and Money	1.43	1.01
Aid from Federal Agencies	7.21	7.68
Aid from State	27.34	27.23
Aid from Local Agencies	0.70	0.78
Charges for Services	16.45	19.35
Interfund Revenue	7.51	7.74
Miscellaneous Other Revenues	11.94	10.00
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 $483.4 million in the County's adopted budget for fiscal year 2009-10, or approximately 35.7% of the County's total revenues. The County derives approximately 34.9% of its revenues from State and federal sources. As described herein, the State is currently experiencing severe financial distress. See "STATE OF CALIFORNIA BUDGET AND RELATED INFORMATION."

State Budget Impact.

As described under "STATE OF CALIFORNIA BUDGET AND RELATED INFORMATION" herein, the State is experiencing severe financial stress. The County estimates that the amended 2009 State Budget Act will result in known State revenue reductions to the County of $10.5 million and the elimination of 53 positions (of which six are filled, and the remaining were budgeted but unfilled). The County has included these cuts and reductions in its amended 2009-10 Budget. The County is also recovering the $22.9 million of property tax due to the County from the State ($20 million in the General Fund, and $2.2 million in other Funds). See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A" herein.

There are additional potential State cuts of $15 million to Health and Human Services programs which are not yet reflected in the County's budget, pending receipt of official allocation letters from the State. The State is also deferring $2.5 million in AB 3632 Mental Health Services funds but the County has sufficient AB 3632 reserves to back-fill the deferral in fiscal year 2009-10.

The County anticipates that it will experience further reductions in State funding through the year as the State's financial stress continues and it will make corresponding reductions.

For additional information, see “STATE OF CALIFORNIA BUDGET AND RELATED INFORMATION” herein.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property 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 2008-09, these tax collections, after the transfer required by State law to the ERAF which the State maintains for schools, were allocated as follows: approximately 14.32% to the County, 12.34% to the cities, 9.57% to the special districts and 63.77% to the schools within the County. The 63.77% apportioned to the schools includes the ERAF shift of 12.88%. See “Return of Local Property Taxes” below.

Table 5
COUNTY OF SAN MATEO
SUMMARY OF TAX LEVIES AND COLLECTIONS[1]
FISCAL YEARS 1999-00 THROUGH 2009-10

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]
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
2007-08	164,670,885	5,453,900	3.31	21,149,692
2008-09	175,408,516	4,941,258	2.82	30,337,555
2009-10**[3]**	174,818,617	5,366,932	3.07	29,967,558

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
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
2007-08	9,758,096	8,489,663	87.0
2008-09	12,110,729	9,188,849	75.9
2009-10**[3]**	11,102,420	9,858,807	88.8

SUPPLEMENTAL ROLL

Fiscal Year	Supplemental Roll Tax Change (Net)	Total Collections at June 30th[2]	Percentage of Total Collections to Current Charge
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[4]	248.9
2002–03	4,467,425	6,485,339	145.2
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
2007-08	12,911,574	9,099,483	70.5
2008-09	9,244,822	8,038,564	87.0
2009-10**[3]**	8,782,581	7,103,596	80.9

(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) Figures for fiscal year 2009-10 represent estimates as of [_________, 2009].
(4) 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 6
REDEVELOPMENT AGENCY PROJECTS
OF CITIES IN SAN MATEO COUNTY - FROZEN BASE VALUE,
FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS
(Fiscal Years 1999-00 through 2008-09)

Fiscal Year	Frozen Base Value	Full Cash Value Increments[1]	Total Tax Allocations[2]
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
2007-08	2,541,404,900	12,179,941,196	109,859,014
2008-09	2,541,404,900	14,322,769,511	129,905,727
2009-10	2,541,404,900	14,344,512,253	129,799,309

(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.

See "STATE OF CALIFORNIA BUDGET AND RELATED INFORMATION—2009 Budget Act and Projected Future Deficits" herein for a description of the shift of local redevelopment agency funds to the State for fiscal years 2009-10 and 2010-11.

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 2004-05.

Table 7
COUNTY OF SAN MATEO
ASSESSED VALUATION
FISCAL YEARS 2004-05 THROUGH 2009-10
($ in Thousands)

Fiscal Year	Land	Improvements	Personal Property	Exemption	Net Total
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
2007-08	58,183,265	71,831,797	6,723,346	4,140,835	132,597,573
2008-09	63,204,644	76,346,527	8,122,323	4,341,148	143,332,346
2009-10	64,554,746	76,378,951	7,953,401	4,569,501	144,317,597

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 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 California 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 23.3% in calendar year 2008 as compared to the prior calendar year and the median price of a home in the County in August 2009 dropped by 13.9% as compared to the median price in August 2008, from $650,000 to $560,000. In response to market conditions, the County Assessor conducted automatic Proposition 8 (described below) residential reassessments in fiscal year 2008-09, using a lien date of January 1, 2002 countywide and a lien date of January 1, 1999 for the City of East Palo Alto. With the automatic reassessments of commercial properties underway in fiscal year 2009-10 and no growth in the California Consumer Price Index anticipated, the County projects and assumes in its 2009-10 Budget zero growth in the roll in fiscal year 2010-11 and modest two to three percent growth over the following three fiscal years. In contrast, the combined secured and unsecured assessment rolls for the County increased by an average of 7% over the previous six fiscal years.

Appeals may be based on Proposition 8 (the 1978 voter approved amendment to Article XIIIA of the State Constitution), which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Pursuant to State law, a property owner may apply for a reduction of the property tax assessment for such owner's property, or the County Assessor may initiate Proposition 8 reductions in assessed value, independent of any individual property owner's appeal.

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 0.952505% of the County's total net assessed valuation constitutes unitary property subject to State assessment by the SBE, for which approximately $13.7 million of property taxes were collected in fiscal year 2008-09. The portion of these tax collections attributable to the County General Fund was $3.9 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 approximately 5.5% of the total assessed valuation in the County and the top taxpayer accounts for less than 2.2% of the total assessed valuation in the County. Table 8 shows the ten principal taxpayers in the County, as shown on the 2008-09 tax rolls, and the approximate amounts of their total assessed values. Table 9 shows the taxes paid by the ten largest taxpayers on the combined rolls and Table 10 shows the taxes paid by the ten largest taxpayers on the secured roll. Approximately 14.32% of these tax revenues are paid to the County.

Table 8
COUNTY OF SAN MATEO
PRINCIPAL TAXPAYERS
2008-09 TAX ROLL
($ in Thousands)

Taxpayer	Nature of Business	Total Assessed Value
Genentech Inc.	Biotechnology	$ 3,068,797
United Airlines Inc.	Air Carrier	1,715,683
Slough BTC LLC	Property Management	501,775
VII Pac Shores Investors LLC	Real Estate	500,706
Oracle Corporation	Computer Products	401,944
Slough SSF LLC DE	Property Management	371,550
Sun Microsystems Inc.	Computer Products	343,436
Gilead Sciences Inc.	Biotechnology	333,436
Wells REIT II - University Circle	Real Estate	304,837
Britannia Pointe Grand LP	Real Estate	268,200
	TOTAL	$ 7,810,364
	*COUNTY-WIDE TOTAL	$141,925,616

* Utilities Not Included.

Source: County of San Mateo Tax Collector.

Table 9
COUNTY OF SAN MATEO
TEN LARGEST TAXPAYERS
PRINCIPAL TAXES PAYABLE AND PAID
(Fiscal Year 2008-09)

Taxpayer	Amount
Genentech Inc.	$31,641,363
United Airlines Inc.	17,815,020
VII Pac Shores Investors LLC	5,345,539
Slough BTC LLC	5,181,830
Oracle Corporation	4,348,635
Slough SSF LLC DE	3,836,996
Sun Microsystems Inc.	3,756,243
Gilead Sciences Inc.	3,593,778
Wells REIT II University Circle	3,272,780
Britannia Pointe Grand LP	2,769,701
	$81,561,885

Source: County of San Mateo Tax Collector. Utilities Not Included.

Table 10
COUNTY OF SAN MATEO
TEN LARGEST TAXPAYERS
SECURED TAXES PAYABLE AND PAID
(Fiscal Year 2008-09)

Taxpayer	Amount
Genentech Inc.	$19,841,093
VII Pacific Shores Investors LLC	5,345,539
Slough BTC LLC	5,181,830
Oracle Corporation	4,348,635
Slough SSF LLC DE	3,836,996
Sun Microsystems Inc	3,756,243
Gilead Sciences Inc	3,593,778
Wells REIT II University Circle	3,275,780
Britannia Pointe Grand L P	2,769,701
Franklin Templeton Corp SVCS	2,751,127
TOTAL	$54,700,722

Source: County of San Mateo Tax Collector. Utilities Not Included.

Genentech, Inc., the County's largest tax payer, has filed a lawsuit for the refund of property taxes paid for tax years 1990 through 1999. The allegations include claims for refunds of tax payments and claims asking for revisions to the methods, formulas, and calculations used to determine taxable property categories and values. The total refund claim for the nine-year period now exceeds $40 million, but the County's liability for any refunds would be limited to approximately 14% of any refund paid (e.g. $5,600,000 if the total were $40,000,000), as that is the approximate percentage of each property tax dollar that gets paid to, or refunded by, the County – the other taxing agencies and entities throughout the County collectively receive or pay the remaining 86%.

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. The County is one of three "excess" ERAF counties in the State. This is due to the relatively high number of basic aid school districts in the County, the relatively high property tax levels and declining enrollment in some school districts. Excess ERAF distributions from the State could be impacted by property tax growth, increased school enrollment, or State legislation reallocating ERAF funds.

Over the past six fiscal years, the County General Fund has received approximately $314.6 million in returned ERAF contributions, including approximately $66.3 million in fiscal year 2008-09. The following table presents the County's Share of Excess ERAF payments for fiscal year 2003-04 through fiscal year 2009-10.

COUNTY OF SAN MATEO
SHARE OF EXCESS ERAF PAYMENTS
(Fiscal Years 2003-04 to 2009-10)

[TABLE TO COME]

Due to the potential volatility of such payments, the County has conservatively budgeted $29.3 million in fiscal year 2009-10. Pursuant to Resolution No. [__] adopted by the Board on [_________, 20__], the County implemented a policy of using such excess ERAF for one-time purposes, including reductions in unfunded liabilities, capital and technology payments, productivity enhancements, and cost avoidance projects.

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 $262.1 million in the County's adopted budget for fiscal year 2009-10, or approximately 14.9% of the County's total Governmental Funds requirements. This revenue source is a recoupment of costs for services such as recording fees, legal fees, health services fees, court and law enforcement fees.

Miscellaneous Other Revenue

Other significant sources of revenue are included in the Miscellaneous Other Revenue category, which accounted for approximately $135.4 million in the County's adopted budget for fiscal year 2009-10, or 7.7% of the County's total Governmental Funds requirements.

Tobacco Settlement Payments

On August 5, 1998, the State of California and participating California Counties and Cities entered into a Memorandum of Understanding which allocates a portion of tobacco settlement proceeds to the participating counties and cities. On December 9, 1998. the Master Settlement Agreement (the "MSA") between participating States and various tobacco companies received court approval. The Board has allocated most of these funds to the operations of the Medical Center. The County received $7.6 million in fiscal year 2008-09. It is projected that the County's share of settlement payments for fiscal year 2009-10 will be $8.2 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 $618.9 million and $298.4 million, respectively, in the County's adopted budget for the 2009-10 fiscal year, or approximately 35.3% and 17.0%, 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. Although the plan covers other employers, the County is responsible for approximately [___%] of the Association's costs. However, under the current cost sharing formula, employees only contribute to the normal cost of the benefit, not the unfunded accrued actuarial liability (UAAL). The Association is composed of four subplans which cover members classified as general, safety or probation. As of June 30, 2009, the total number of plan participants was 10,708. 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 Board, four elected by Association participants, and the County Treasurer. For the fiscal year ended June 30, 2009, the average employer contribution rate by the County was 23.62% of the covered payroll and the average member contribution rate was 9.7%. The County's contribution rate is projected to increase to 34% for the fiscal year ending June 30, 2010, while the member contribution rate will remain unchanged.

Annual Pension Cost. For the fiscal year ended June 30, 2009, the County's annual pension cost was equal to the County's required contributions of $106,123,000. The required contribution was determined by the actuarial valuation as of June 30, 2007, 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 Plan uses a 15-year period to amortize future gains or losses. Actuarial assumptions are adjusted by the Board of Retirement from time-to-time based on actual demographic changes and non-demographic factors such as the assumed actuarial rate of return. The table below presents information for the last three fiscal years, estimated information for 2010 and projected information for 2011.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2007	$100,550,000	100.0%
6/30/2008	$105,340,000	100.0%
6/30/2009	$106,123,000	100.0%
6/30/2010†	$111,650,000	100.0%
6/30/2011*	$160,432,000	100.0%

† Figures are estimated.
* Figures are projected.

The County has projected that its annual pension cost will be [$_______] and [$_______] for the fiscal years ending June 30, 2012 and 2013, respectively.

Funded Status and Funding Progress. Funding progress is measured by a comparison of plan assets set aside to pay plan benefits versus plan liabilities. The actuarial value of assets is based on a five-year smoothed market method. This method spreads the difference between the actual investment return achieved by the investment portfolio of the Retirement Association and the assumed investment return over a five- year period.

As of June 30, 2009, the most recent actuarial valuation date, the plan was 63.9% funded. The actuarial accrued liability (AAL) for benefits was $2,987,712,000, and the actuarial value of assets was $1,909,679,000, resulting in an unfunded actuarial accrued liability (UAAL) of $1,078,033,000. The annual covered payroll (annual payroll of active employees covered by the plan) was $436,424,000, and the ratio of the UAAL to the annual covered payroll was 247.02%.

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
6/30/2004	$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
6/30/2008†	2,218,937,000	2,806,222,000	587,285,000	79.1	416,243,000	141.09
6/30/2009*	1,909,679,000	2,987,712,000	1,078,033,000	63.9	436,424,000	247.02

† Figures are estimated.
* Figures are projected.
** The County is responsible for approximately [___%] of UAAL.
Source: Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2008, County of San Mateo, California and the San Mateo County Employees' Retirement Association (SamCERA) Actuarial Valuation as of June 30, 2009.

Investments. The Association's investments are managed by independent investment management firms subject to the guidelines and controls specified in the investment plan and contracts executed with the Retirement Board. The Retirement Board utilizes third party institutions as custodians over the plan's assets.

The Retirement Board approved its first comprehensive investment plan on September 29, 1994. The plan specified an asset allocation target of 50% equities, 40% fixed income securities, and 10% real estate. The current asset allocation, which was adopted on January 23, 2007, is 67% equities, 27% fixed income securities and 6% real estate. At June 30, 2009, actual asset allocation was 61.6% equities, 30.4% fixed income securities, 7.5% real estate and 0.5% cash.

Table 11
ASSET ALLOCATION AS A PERCENTAGE OF FAIR VALUE

Asset Class	Allocation	June 30 Actual
Equity	67%	61.6%
Fixed Income	27%	30.4%
Real Estate	6%	7.5%
Cash	0%	0.5%

Equity Management Style	Allocation		June 30 Actual	
Domestic Large Capitalization	37%		31.5%	
Indexed		37%		31.5%
Domestic Small Capitalization	9%		6.7%	
Active		9%		6.7%
International	21%		23.4%	
Active		21%		23.4%
Total Equity	67%		61.6%	

Fixed Income Management Style	Allocation		June 30 Actual	
Domestic Fixed Income	27%		30.4%	
Enhanced Indexed		9%		10.0%
Active		18%		20.4%
Total Fixed Income	27%		30.4%	

Real Estate Management Style	Allocation		June 30 Actual	
Core Separate Property Portfolio		6%		7.5%
Total Real Estate	6%		7.5%	
Total Cash & Cash Equivalents	0%		0.5%	

Table 12
MARKET VALUE OF ASSET ALLOCATION
As of June 30, 2009

Asset Allocation	Market Value
Large Capitalized U.S. Equities	$ 501,313,186
Small Capitalized U.S. Equities	106,983,530
International Equities	373,159,331
U.S. Fixed income	483,592,201
Real Estate	118,894,616
Cash & Deposits	7,456,694
Total	$1,591,399,558

For the fiscal year ended June 30, 2009, total Plan returned -21.26%, or 3.1% below the -18.16% return on its Policy Index [define], and far below the Association's 7.75% actuarial return expectation. The Association also lagged its peers, performing 3.35% below the Independent Consultants Cooperative Large Public Fund Universe median return of -17.91%.

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 Retiree 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 Retiree Health Plan at their own expense. For fiscal year 2008-09, the County contributed $10,804,000, or 100%, 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 (the "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 entered into a trust agreement with CalPERS for OPEB services in May 2008. The most recent valuation was performed as of January 1, 2009 and captures 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[(1)]	-	156,843,000	156,843,000	0.0	383,773,000	40.9
1/1/2009	101,362,000	203,730,000	102,368,000	49.8	431,117,000	23.7

[(1)] Valuation performed to comply with CalPERS earnings and payroll growth rate assumptions.

In May 2008, the County remitted $145.4 million to CalPERS to settle its net OPEB obligation at the beginning of the fiscal year and prefund its OPEB liabilities with the excess funding. The contribution deposited into the CalPERS Retiree Benefit Trust (the "CERBT") was shared proportionally among participating funds. The General Fund's share was $116 million and was reported as a special item in governmental fund financial statements. The CERBT sustained investment losses from May 2008 through December 31, 2008 of $44.0 million, which is reflected in the actuarial value of assets of $101.4 million as of January 1, 2009. During the second half of fiscal year 2008-09, the CERBT realized a net gain of $8.1 million (investment gains of $4.5 million and contributions over disbursements of $3.6 million) and ended the fiscal year with a balance of $109.5 million.

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 Board adopted an ordinance (the "Debt Limit Ordinance"), which provides that annually at the time of approving the County budget, the Board 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 Bonds. It does not include any voter approved debt or any debts of agencies, whether governed by the Board 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 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 2009-10 is $64,267,238. For fiscal year 2009-10, debt service subject to the debt limit is approximately $29.5 million.

Indebtedness

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

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Long-Term Obligations

Authority Lease Revenue Bonds. Authority Lease Revenue Bonds include the following amounts outstanding as of October 1, 2009.

	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	$46,730,000
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	$44,405,000
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	$104,985,000
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	$22,615,000
Authority Refunding Lease Revenue Bonds (Youth Services Campus), 2008 Series A, [fixed rate, bearing or accruing interest at an average rate of [__]%, payable semiannually (at maturity or earlier redemption) with annual principal requirements due through 2036]	$138,490,000
Total	$357,225,000

* The 1997 Bonds and the 1999 Bonds will be refunded by the 2009 Bonds.

The County paid approximately $28.6 million in debt service due in fiscal year 2008-09 with respect to the Authority's Lease Revenue Bonds described in the table above.

Estimated Direct and Overlapping Debt. The estimated direct and overlapping debt of the County, as of October 1, 2009, according to California Municipal Statistics, Inc., is shown in the table below. The County makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc., Oakland, California.

Table 13
COUNTY OF SAN MATEO
DIRECT AND OVERLAPPING DEBT
AS OF OCTOBER 1, 2009

2009-10 Assessed Valuation:	$145,238,145,077	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	14,344,512,253	
Adjusted Assessed Valuation:	$130,893,632,824	

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/09
San Mateo Community College District	100.%	$ 624,979,994
Cabrillo Unified School District	100.	15,951,263
South San Francisco Unified School District	100.	34,975,043
Jefferson and San Mateo Union High School Districts	100.	262,264,393
Sequoia Union High School District	100.	302,420,000
Hillsborough School District	100.	58,041,118
Jefferson School District	100.	49,725,000
Redwood City School District	100.	53,024,178
San Carlos School District	100.	55,589,688
San Mateo-Foster City School District	100.	143,854,604
Other School Districts	100.	281,976,917
Cities	100.	73,485,000
Montara Sanitary District	100.	14,945,000
Community Facilities Districts	100.	32,000,000
1915 Act Special Assessment Bonds	100.	28,455,866
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$2,031,688,064
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Mateo County General Fund Obligations	**100.%**	**$359,309,816**[(1)]
San Mateo County Board of Education Certificates of Participation	100.	13,350,000
San Mateo County Flood Control District Certificates of Participation	100.	23,365,000
San Mateo Union High School District Certificates of Participation	100.	73,456,236
School District General Fund Obligations	100.	16,859,887
City of Burlingame General Fund and Pension Obligations	100.	48,660,000
City of Daly City Pension Obligations	100.	33,860,000
City of Redwood City General Fund Obligations	100.	17,875,000
City of San Mateo General Fund Obligations	100.	33,715,000
Other City General Fund Obligations	100.	88,324,556
Midpeninsula Regional Open Space Park General Fund Obligations	30.889[(2)]	35,147,985
Granada Sanitary District Certificates of Participation	100.	565,000
San Mateo County Mosquito Abatement District Certificates of Participation	100.	540,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$745,028,480
Less: City of Burlingame and Daly City self-supporting obligations		9,887,500
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$735,140,980
GROSS COMBINED TOTAL DEBT		$2,776,716,544[(3)]
NET COMBINED TOTAL DEBT		$2,766,829,044

(1) Excludes issue to be sold.
(2) Based on 2008-09 ratios.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
Total Direct and Overlapping Tax and Assessment Debt 1.40%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($359,309,816) 0.27%
Gross Combined Total Debt 2.12%
Net Combined Total Debt 2.112%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc.

Financial Statements

The general purpose financial statements of the County for the fiscal year ended June 30, 2008, 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, 2008 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, 2008 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		

The following tables present, with respect to the County's general fund, (i) the County's statement of revenue and expenses for each of the past five fiscal years ended June 30, 2004 through June 30, 2008, and (ii) the County's general balance sheet as of June 30 for each of the past four fiscal years ended June 30, 2004 through June 30, 2008.

Table 14
COUNTY OF SAN MATEO
COMBINED STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEARS ENDED JUNE 30, 2004, 2005, 2006, 2007 and 2008
($ in Thousands)

	2003-04	2004-05	2005-06	2006-07	2007-08
REVENUES					
Taxes	$188,902	$214,243	$305,775	$316,463	$334,266
Licenses and Permits	4,883	5,928	7,053	6,627	6,085
Aid From Governmental Agencies	380,739	407,055	351,744	375,542	357,118
Charges for Services	76,717	77,943	88,427	77,143	91,240
Fines, Forfeitures and Penalties	8,489	7,716	8,164	8,415	8,404
Rents and Concessions	946	916	833	1,035	1,117
Investment Income	4,150	11,929	12,383	25,697	21,601
Securities Lending Activities:					
Securities Lending Income	412	1,222	2,456	2,929	1,794
Securities Lending Expenditures	(349)	(1,137)	(2,377)	(2,857)	(1,540)
Other	28,897	28,534	24,902	16,914	33,194
TOTAL REVENUES	$693,786	$754,349	$799,360	$827,908	$853,279
EXPENDITURES					
Current:					
General Government	$51,535	$50,113	$56,412	$54,967	$68,723
Public Protection	225,399	229,213	239,764	261,840	275,259
Health and Sanitation	131,377	143,015	140,375	171,419	202,418
Public Assistance	181,075	181,769	192,731	206,289	193,902
Education	145	118	141	-	-
Recreation	6,682	6,566	7,310	7,609	8,084
Capital Outlay	2,911	3,659	4,545	15,701	4,058
Debt Service:					
Principal Retirement	156	26	26	28	30
Interest	8	6	5	3	2
TOTAL EXPENDITURES	$599,288	$614,485	$641,309	$717,856	$752,476
EXCESS OF REVENUES OVER EXPENDITURES	$94,498	$139,864	$158,051	$110,052	$100,803
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	$2,061	$789	$504	$3,481	$83,910
Operating Transfers Out[1]	(91,256)	(76,915)	(104,560)	(142,647)	(128,371)
Proceeds From Sale of Capital Assets	-	2	1	2	2
Capital Leases	-	-	-	30	750
Total Other Financing Sources (Uses)	(89,195)	(76,124)	(104,055)	(139,134)	(43,709)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$5,303	$63,740	$53,996	($29,082)	$57,094
Special item[3]	$239,269	-	-	-	(116,462)
Fund Balance, Beginning of Year	$244,572	$244,572	$308,312	$362,308	$333,226
Fund Balance, End of Year		$308,312	$362,308	$333,226	$273,858

(1) 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.

(2) In May 2008, the County remitted $145 million to CalPERS to settle its net OPEB obligation at the beginning of the fiscal year and prefund its OPEB liabilities with the excess funding. The contribution deposited into CERBT was shared proportionally among participating funds. The General Fund's share was $116 million and was reported as a special item in governmental fund financial statements.

Source: County of San Mateo General Purpose Financial Statements.

Table 15
COUNTY OF SAN MATEO
GENERAL FUND
COMBINED BALANCE SHEET
AT JUNE 30, 2004, 2005, 2006, 2007 AND 2008
($ in Thousands)

	June 30,				
	2004	**2005**	**2006**	**2007**	**2008**
ASSETS:					
Cash and Investments	$226,340	$303,847	$356,052	$363,487	$308,754
Securities Lending Collateral	38,882	55,500	56,127	67,648	30,889
Receivables					
Taxes, net of allowances for uncollectible amounts	14,196	13,647	13,096	15,058	18,150
Accounts, net of allowances for uncollectible amounts	11,525	12,559	17,888	15,160	8,571
Mortgage[1]	-	-	-	57,028	48,206
Interest	2,021	3,076	6,795	5,767	9,527
Other	22,626	24,283	22,576	21,465	25,943
Due from Other Governmental Agencies	77,590	112,034	116,318	130,745	159,727
Due from Other Funds	10,475	9,839	6,195	10,394	8,336
Advances to Other Funds	21,977	14,716	26,028	5,857	5,851
Inventory	164	55	64	86	78
Other Assets	50	60	54	51	6
TOTAL ASSETS	$425,846	$549,616	$621,193	$692,746	$624,038
LIABILITIES:					
Accounts Payable	$20,267	$22,839	$19,974	$28,086	$31,354
Accrued Salaries and Benefits	11,263	13,308	18,157	17,460	20,168
Accrued Liabilities	-	-	-	-	4,099
Securities Lending Collateral – Due to Borrowers	38,882	55,500	56,127	67,648	30,889
Due to Other Funds	761	7,706	6,892	5,942	170
Due to Other Governmental Agencies	30,210	33,390	15,927	21,417	24,145
Advances from Other Funds	3,000	3,000	3,000	-	-
Deposits	10	10	10	10	-
Deferred Revenues	76,881	105,551	138,798	218,957	239,355
Total Liabilities	$181,274	$241,304	$258,885	$359,520	$350,180
Reserved for:					
Encumbrances	$ 2,902	$ 3,070	$ 3,737	$ 3,209	$2,385
Advances to other funds and inventories	22,141	14,771	26,092	5,943	5,929
Unreserved:					
Designated	-	-	-	-	-
Undesignated	219,529	290,471	332,479	324,074	265,544
TOTAL LIABILITIES	$425,846	$549,616	$621,193	$692,746	$624,038

(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.

See APPENDIX C – "AUDITED COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR 2007-2008."

County Treasurer's Investment Pool

General. 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. Moneys of the County, school districts and certain special districts are 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 41.7% 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 September 30, 2009, 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	$1,003,051,136.21	41.7%
Cities	115,420,690.22	4.8
Special Districts	96,856,680.39	4.0
Bay Area Air Quality Management District	133,335,248.66	5.5
San Mateo County Transportation Authority/JPB	313,756,335.66	13.0
All Other San Mateo County Funds	745,323,085.10	31.0
Total	$2,407,743,176.24	100.0%

(1) Amounts represent cash balance as of September 30, 2009.

As of _______, 2009, the composition, carrying amount, and market value of the County's cash and investment pool were as follows:

Table 16
SAN MATEO COUNTY INVESTMENT POOL
SUMMARY OF ASSETS HELD

Security	Carrying Value[1]	Market Value[2]	
Repurchase Agreements	$ 287,000,000.00	$ 287,000,000.00	12.1%
Floating Rate Securities	195,922,450.00	193,779,687.60	8.2
Corporate Bonds	49,970,052.78	52,542,363.33	2.2
FDIC TLGP-CB	70,139,200.00	71,359,505.56	3.0
FDIC-TLGP-CB Floater	10,000,000.00	10,092,776.04	0.4
Federal Agency-Floating Rate Securities	20,000,000.00	19,993,099.67	0.8
Federal Agency Securities	523,800,880.83	526,284,531.53	22.3
United States Treasuries	1,202,142,331.54	1,201,371,546.65	51.0
Total	$2,358,974,915.15	$2,362,423,510.38	100.0%

(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 June 30, 2009, the carrying value and market value of investments credited to the County pool were both approximately $2.36 billion. The pool currently includes approximately $287 million in cash or cash equivalents, which represents the County pool's liquidity. As of June 30, 2009, the dollar weighted average maturity of the County pool was 1.2 years with a duration of 1.1 years. Approximately 27.3% 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.

County Investment Policy. The current investment policy was adopted by the Board on January 10, 2008 (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 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.

As a result of the economic recession, beginning in November 2008, the County has undertaken a comprehensive process to evaluate its investment policy. The County has retained two consultants to make recommendations on changes to the policy in light of the changes in the economic climate. Based on these consultant reports and based on input from pool members, the County Treasurer, and the Treasury Oversight

Committee, the County is in the process of modifying its investment policy to strike a balance between ensuring the safety and stability of pool fund while maximizing return on investment. It is anticipated that the County will adopt a revised investment policy in early 2010.

Recent Developments. On September 15, 2008, Lehman Inc. ("Lehman") filed the largest bankruptcy in United States history. In addition to private investors around the world, numerous public agencies from around the country who had retirement or investment funds in Lehman, experienced losses. The County had invested about 5.9% of its investment pool in Lehman securities. Specifically, of a total investment pool of approximately $2.6 billion, the investment pool wrote down approximately $155 million in value as a result the bankruptcy. This write down resulted in a projected $8.6 million loss to the County's General Fund and a total $30 million loss to the County. The County Treasurer charged the loss against investment income for the quarter ending September 30, 2008, with the net result of a loss of 4.7% against each pool participant based on their average daily balance for the quarter ending September 2008. The County is engaged in an aggressive effort to recover the Lehman loss. First, the County is a creditor in the bankruptcy action, which is expected to be completed in 2010, and will result in a some recovery of the County's loss. Second, the County is also actively involved in a nationwide effort to recover these lost funds through federal legislative efforts. Third, the County has filed a lawsuit against Lehman executives and its independent accounting firm Ernest & Young seeking damages for alleged securities fraud.

No litigation has been filed against the County or County Treasurer concerning losses sustained by the investment pool, but the County has entered into agreements with several pool participants to stay the running of any applicable statutes of limitation pending the efforts to obtain recovery of some or all of the losses through the efforts noted above.

Since the Lehman loss, the performance of the County pool has improved. For the quarter ending June 30, 2009, the gross earnings were 2.42% and, for the quarter ending September 30, 2009, the gross earnings were 1.02%.

For further information regarding the County's existing investment 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 2009 Bonds. There can be no assurance made that other risk factors will not become evident at any future time.

Base Rental Payments Not County Debt

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

Abatement Risk

During any period in which, by reason of material damage or destruction, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Master Facility Lease with respect to the Leased Property will be abated proportionately, and the County waives any and all rights to terminate the Master Facility Lease by virtue of any such interference and the Master Facility Lease shall continue in full force and effect. See "SECURITY FOR THE BONDS – Base Rental Payments – Abatement" herein.

No Acceleration Upon Default

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

Limitation on Remedies

The enforcement of any remedies provided in the Master Facility Lease and the Trust Agreement could prove both expensive and time consuming. Although the Master 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 Bonds so as to preserve the tax-exempt nature of interest on the Bonds. Furthermore, due to the governmental nature of the Leased Property, it is not certain whether a court would permit the exercise of the remedy of re-letting with respect thereto.

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

Bankruptcy

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

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," certain acts or omissions of the County in violation of its covenants in the Trust Agreement and the Master Facility Lease could result in the interest evidenced by the 2009 Bonds being includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the 2009 Bonds. Should such an event of taxability occur, the 2009 Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the provisions contained in the Trust Agreement.

Risk of Earthquake

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

The Master Facility Lease does not require the County to maintain insurance on the Leased Property against certain risks such as earthquakes except during the period of construction of the construction components of the Leased Property. 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 "COUNTY FINANCIAL INFORMATION - 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.

Limitation on Revenues

There are limitations on the ability of the County to increase revenues. The ability of the County to increase the *ad valorem* property taxes (which have historically been an important source of revenues for counties in California) is limited pursuant to Article XIII A of the State Constitution, which was enacted in 1978. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

The County receives a significant portion of its revenue from State and federal sources. Decreases in revenues received by the State can affect subventions made to the County and other counties in the State. In addition, actions taken by Congress and federal executive branch agencies including, without limitation, reductions in federal spending, could materially reduce the revenues received by the County. The potential impact of State budget actions for future fiscal years on the County is uncertain at this time.

State Budgets Concerns

The State is experiencing severe financial stress. Moreover, the State is likely to continue to face significant budget issues in the future. Through the State budget process, the State can enact legislation that significantly impacts the source, amount and timing of receipt of revenues by local agencies, including the County. See "COUNTY FINANCIAL INFORMATION – Intergovernmental Revenues; Impact of State Financial Situation on County" and "STATE OF CALIFORNIA BUDGET AND RELATED INFORMATION" herein.

STATE OF CALIFORNIA BUDGET AND RELATED INFORMATION

The following information concerning the State budgets 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 or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses *or for the accuracy or timeliness of the information posted there, and such information is not incorporated herein by these references.*

State Financial Conditions

Since the start of 2008, the State has been experiencing the most significant economic downturn and financial pressure since the Great Depression of the 1930s. As a result of continuing weakness in the State economy, State tax revenues have declined precipitously, resulting in large budget gaps and cash shortfalls. Personal income fell in the State in the fourth quarter of 2008 and the first quarter of 2009. The rate of contraction was lower in the more recent quarter. In the first quarter of 2009, personal income was down 0.2 percent from a year ago. The only other time personal income declined on a year-over-year basis was in the third quarter of 1949.

Taxable sales fell sharply in the first half of 2009. The total assessed valuation of property in the State is lower in fiscal year 2009-10 than it was in the prior fiscal year. This is the first year-to-year decline in the statewide total since the State began keeping records in 1933. The State's unemployment rate increased from 6.1 percent at the start of 2008 to 12.2 percent in August 2009.

2009 Budget Act and Projected Future Deficits

The weak economy resulted in a dramatic reduction in state tax revenues over the last two years. The State's initial 2008 Budget Act adopted in September 2008 estimated General Fund revenues and transfers for fiscal year 2008-09 of approximately $102 billion with expenditures of $103.4 billion. By the time of the adoption of an amended 2009 Budget Act in July 2009, General Fund revenues (even including certain new revenues) for the 2009-10 fiscal year were estimated at only $89.5 billion and expenditures at $84.6 billion. The amended 2009 Budget Act only provides for a projected $500 million reserve at June 30, 2010. Moreover, as noted below, it is already evident that certain of the underlying assumptions in the amended 2009 Budget Act have overstated revenues or understated expenses.

The amended 2009 Budget Act contains a number of components which may directly impact upon the County's finances. These include, among others:

- *Proposition 1A of 2004 Borrowing from Local Governments*. The amended 2009 Budget Act authorizes the State to exercise its borrowing authority under Proposition 1A of 2004 to borrow from local agencies up to 8% of their 2008-09 property tax revenues. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A" herein. This borrowing is estimated to generate $1.935 billion that will be used to offset State General Fund costs. The County's share of this borrowing is $22.0 million. The enabling legislation specifies the borrowed sums will be repaid by the State, with interest, no later than the end of June 2013.

- *Redevelopment Agency Borrowing.* The amended 2009 Budget Act also contains a shift of $1.7 billion in local redevelopment agency funds to the State from current revenues and reserves in fiscal year 2009-10 and $350 million in fiscal year 2010-11. Under the amended 2009 Budget Act, these revenues are ultimately shifted to schools that serve the redevelopment areas. An association of redevelopment agencies has announced that it will sue to block this transfer which, if successful, could adversely affect the State's financial condition.

- *Health and Human Services*. The amended 2009 Budget Act includes $24.8 billion in non-Proposition 98 General Fund expenditures for Health and Human Service Programs for fiscal year 2009-10, which is a decrease of $3.9 billion or 13.5 percent from the revised fiscal year 2008-09 estimate. Due to the State's severe fiscal shortfall, the initial 2009 Budget Act included $2.4 billion in proposed General Fund expenditure reductions in Health and Human Services programs in 2009 10, and the amendments to the 2009 Budget Act include an additional $3.4 billion in 2009-10 General Fund expenditure reductions in these programs. The amended 2009 Budget Act reflects significant General Fund relief for Health and Human Services programs resulting from the receipt (or assumed receipt) of federal stimulus moneys under the American Recovery and Reinvestment Act of 2009.

- *Transportation Funding*. The amended 2009 Budget Act includes $1.441 billion of General Fund expenditures to fully fund local transportation programs under Proposition 42 in fiscal year 2009-10. Proposition 1B, which was passed in November 2006, provided $19.9 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 a budget act. The amended 2009 Budget Act appropriates $4.2 billion of funds from the Proposition 1B bond authorization.

The 2009 Budget Act also included a number of revenue enhancements, including among others:

- *Temporary Sales Tax Increase*. Effective April 1, 2009, the General Fund sales and use tax rate was temporarily increased by 1 cent, from 5 percent to 6 percent. This tax increase will be in effect through June 30, 2011.

- *Vehicle License Fees*. Effective May 19, 2009, vehicle license fees were temporarily increased from 0.65 percent to 1.15 percent with 0.35 percent going to the General Fund and 0.15 percent going to the Local Safety and Protection Account for local law enforcement grant programs previously funded from the General Fund. Vehicle license fees apply to the value of the vehicle (initially its market value and then subject to a standard depreciation schedule). This increase is scheduled to remain in effect through June 30, 2011.

- *Personal Income Tax Surcharge*. A temporary addition of 0.25 percent to each personal income tax rate for tax years 2009 and 2010.

It is clear that at least some of the budgetary assumptions used in the amended 2009 Budget Act will not be fully realized. For example, on September 30, 2009, the State Supreme Court affirmed a lower court decision disallowing the use of certain sales and use taxes on vehicle fuels to offset certain transportation-related costs in the General Fund. This decision reduced by $1 billion of available revenues assumed in the amended 2009 Budget Act. Also on September 30, 2009, the Department of Finance obtained preliminary data on revenue collections for personal income taxes in the month of September suggesting a shortfall in quarterly estimated payments of nearly $1 billion, or about 33 percent below Department of Finance projections. Other budget assumptions will inevitably be proven incorrect, which could exacerbate the State's financial and cash position.

Further, many of the actions taken to balance the amended 2009 Budget Act were either one-time actions, or involve loans which have to be repaid, or are based on temporary revenue increases or the limited receipt of federal stimulus funds. Budget gaps of several billions of dollars a year are expected to recur in fiscal year 2010-11 and subsequent years. The Department of Finance has projected that, using expenditure obligations under existing law and various assumptions concerning revenues in future years, the State would, in the absence of taking additional steps to balance its budget, face an "operating deficit" (expenditures exceeding revenues in the same fiscal year) of $7.4 billion in fiscal year 2010-11, $15.5 billion in fiscal year 2011-12 and $15.1 billion in fiscal year 2012-13. And even these projections make assumptions which may not be realized.

Further, the financial condition of the State, like the County, is subject to a number of other risks in the future, including particularly potential significant increases in required State contributions to the Public Employees' Retirement System, increased financial obligations related to Other Post-Employment Benefits, and increased debt service.

There can be no assurances that the fiscal stress and cash pressures currently facing the State will not continue or become more acute, or that continuing declines in state tax receipts or other impacts of the current economic recession will not further materially adversely affect the financial condition of the State.

Cash Flow Impact

The sharp drop in revenues over the last two fiscal years has also resulted in a significant depletion of cash resources to pay the State's obligations. For a period of one month, in February 2009, the State deferred making certain payments from the General Fund in order to conserve cash resources for high priority obligations, such as education and debt service. Full payments resumed in March 2009, and the State was able to pay all its obligations through June 30, 2009, including repayment of $5.5 billion of 2008-09 revenue anticipation notes. However, by July 2009, as new budget gaps were identified and with the failure to adopt corrective actions, the State's cash resources had dwindled so far that, commencing July 2, 2009, the State Controller began to issue registered warrants (or "IOUs") for certain lower priority obligations in lieu of warrants (checks) which could be immediately cashed. The registered warrants, the issuance of which did not require the consent of the recipients thereof, bore interest. With enactment of the amended 2009 Budget Act in late July 2009, and the ability to issue $1.5 billion of interim fiscal year 2009-10 revenue anticipation notes, the State has been able to call all its outstanding registered warrants for redemption on September 4, 2009. The issuance of State registered warrants this year was only the second time the state has issued State registered warrants to such types of State creditors since the 1930s.

Governor Schwarzenegger also ordered unpaid furloughs of State employees each month, commencing on February 1, 2009, as well as layoffs of State agency and department employees. These furloughs are incorporated in the amended 2009 Budget Act. If the three-day per month furlough remains in effect for all of fiscal year 2009-10, it is projected to reduce General Fund payroll expenditures by approximately $1.278 billion or 14 percent of General Fund payroll expenditures. Various litigation has been brought challenging the furlough program which, if successful, could adversely affect the state's financial condition.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

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 may 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's amended 2009 Budget Act includes such a borrowing. 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. Based on the projected property tax revenue for Fiscal Year 2009-10, the maximum exposure to Proposition 1A borrowing for the County is $36.6 million to the General Fund, $5.3 million to the Flood Control District, and $3.1 million to County Libraries.

The amended 2009 Budget Act authorizes the State to exercise its borrowing authority under Proposition 1A to borrow from local agencies up to 8% of their 2008-09 property tax revenues. This borrowing is estimated to generate $1.935 billion that will be used to offset State General Fund costs. The County's share of this borrowing is $22.0 million.

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. 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. The enabling legislation specifies the borrowed sums will be repaid by the State, with interest, no later than the end of June 2013.

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.

Article XIII A of the State Constitution

Section 1(a) of Article XIII A 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 XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A 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 XIII A 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. Taxpayers in the County may appeal the determination of the County Assessor of the Full Cash Value of their property. At any given point in time, thousands of appeals are pending in the County. However, in connection with the downturn in the real estate market in the County as well as other factors, the number of assessment appeals during the current filing period increased 28% over the same period in 2008. If the assessed value of a property is reduced as a result of an assessment appeal, the reduction is borne by relevant taxing agencies, including the County. The current estimated tax reduction is 15% as compared with the same period in 2008.

Legislation enacted by the State Legislature to implement Article XIII A 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 XIII A. 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 XIII A. 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 XIII A 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 XIII A 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 XIII A 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 XIII B of the State Constitution

State and local government agencies in the State are each subject to annual "appropriations limits" imposed by Article XIII B of the State Constitution ("Article XIII B"). Article XIII B 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 XIII B 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 XIII B 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 XIII B. 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 XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. The County's appropriation limit for fiscal year 2009-10 is [$_________]. It has been determined that [$_________] of the County's fiscal year 2009-10 budgeted appropriations and provision for reserves totaling [$_________] is subject to the limitation, and the County is therefore [$_________] under the appropriations limit for fiscal year 2009-10.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D 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 XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the general fund, require a two-thirds vote. The voter approval requirements of Article XIII C 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 XIII D 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 XIII D also contains several new provisions affecting a "fee" or "charge," defined for purposes of Article XIII D to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including 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 XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

In addition to the provisions described above, Article XIII C 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 XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related as described above) would limit the scope of the initiative power set forth in Article XIII C. If the Article XIII D definitions are not held to limit the scope of Article XIII C initiative powers, then the Article XIII C 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.

Statutory Limitations

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 XIII A, (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 S*anta 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 State Constitution. The State 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 State 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 XIII A, Article XIII B 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 of California and a Joint Exercise of Powers Agreement, dated May 15, 1993, as amended (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 Board. The Authority has no employees and all staff work is done by the County staff or by consultants to the Authority.

TAX MATTERS

[TO BE REVIEWED BY BOND COUNSEL]

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

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 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 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 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 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 Bonds may adversely affect the value of, or the tax status of interest on, the 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 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 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 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. 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 Bonds. Prospective purchasers of the 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 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 Bonds ends with the issuance of the 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 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 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 Bonds, and may cause the Authority, the County or the Beneficial Owners to incur significant expense.

INDEPENDENT ACCOUNTANTS

The financial statements of the County for the fiscal year ended June 30, 2008 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 November 25, 2008, which also appears in APPENDIX C.

CONTINUING DISCLOSURE

The County will covenant pursuant to a Continuing Disclosure Agreement to provide certain financial information and operating data relating to the County by not later than nine months after the end of its Fiscal Year (currently June 30), commencing with the Fiscal Year ending June 30, 2009 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events (the "Listed Events"), if material. The Annual Report and the notices of material events will be filed by the County with the Municipal Securities Rulemaking Board (the "MSRB") or any other entity designated or authorized by the Securities and Exchange Commission (the "SEC") to receive such reports. Until otherwise designated by the MSRB or the SEC, filings with the MSRB will be made through the Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at http://emma.msrb.org. These covenants will be made in order to assist the Underwriters in complying with Rule 15c2-12 of the SEC (the "Rule"). As of the date hereof, the County has never failed to comply in any material respect with any previous undertakings with regard to the provision of annual reports or notices of material events as required by the Rule. **[County: please confirm.]** See APPENDIX F – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

[VERIFICATION OF MATHEMATICAL ACCURACY

Concurrently with the issuance of the Bonds, Grant Thornton LLP, independent accountants, will deliver a report with respect to the mathematical accuracy of certain computations relative to the sufficiency of moneys deposited into the Redemption Fund established pursuant to the Trust Agreement to pay, on their respective redemption dates, the principal of and interest on the 1997 Bonds and the 1999 Bonds. The report of Grant Thornton LLP will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the aforesaid computations and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.]

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. 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 Bonds, the Master Site Lease, the Master Facility Lease or the Trust Agreement, and an opinion of County Counsel to that effect will be furnished to the purchaser at the time of the original delivery of the 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 Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. ("S&P") are expected to assign ratings of ["___"] and ["___,"] respectively, to the 2009 Bonds. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the 2009 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 2009 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 Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by Wedbush Securities Inc. and E.J. De La Rosa & Co., Inc. (the "Underwriters"). The Underwriters have agreed to purchase, the 2009 Bonds at a purchase price of $__________ (representing the aggregate principal amount of the 2009 Bonds, less an Underwriters' discount of $__________ and plus a net original issue premium of $__________). The Underwriters will purchase all of the 2009 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 2009 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: ____
President

SAN MATEO COUNTY

By: ____
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 2005 to 2009. The County's population increased by approximately 25,816, or approximately 3.6% over the five year period.

POPULATION
SAN MATEO COUNTY AND INCORPORATED CITIES
2005-2009[1]

	2005	2006	2007	2008	2009
Six Largest Cities:					
Daly City	104,216	104,596	105,333	105,935	107,099
San Mateo	93,909	94,211	94,877	95,492	96,557
Redwood City	75,744	76,004	76,516	77,040	77,819
South San Francisco	61,463	61,758	62,196	63,554	65,020
San Bruno	41,313	41,470	41,864	43,315	43,811
Pacifica	38,553	38,696	38,988	39,497	39,995
Total County	720,042	722,994	728,314	736,951	745,858
State of California	36,676,931	37,086,191	37,472,074	37,883,992	38,292,687

(1) As of January 1 for the year shown.
Source: Population Estimates for Cities, Counties and the State, 2001-2009, with 2000 Benchmark, California Department of Finance, October 2009.

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 2008, the County's labor force was 384,400, an increase of 2.9% over the County's labor force in 2007. The unemployment rate in year 2008 increased to 4.7% from 3.8% in year 2007. The following table compares labor force, employment and unemployment for the County, the State of California and the United States for the years 2004 through January 2008

SAN MATEO COUNTY
ANNUAL AVERAGE LABOR FORCE AND INDUSTRY EMPLOYMENT
2004 THROUGH 2008[(1)]

Year	Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2004	San Mateo County	362,900	345,200	17,700	4.9%
	California	17,444,400	16,354,800	1,089,700	6.2
	United States	147,401,000	139,252,000	8,149,000	5.5
2005	San Mateo County	362,300	346,800	15,500	4.3%
	California	17,629,200	16,671,900	957,200	5.4
	United States	149,320,000	141,730,000	7,591,000	5.1
2006	San Mateo County	367,700	355,200	13,500	3.7%
	California	17,821,100	16,948,400	872,700	4.9
	United States	151,428,000	144,427,000	7,001,000	4.6
2007	San Mateo County	373,400	359,100	14,200	3.8%
	California	18,078,000	17,108,700	969,300	5.4
	United States	153,124,000	146,047,000	7,078,000	4.6
2008	San Mateo County	384,400	366,100	18,200	4.7%
	California	18,391,800	17,059,600	1,332,300	7.2
	United States	154,287,000	145,362,000	8,924,000	5.8

(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 2009 are as follows:

COUNTY OF SAN MATEO
TOP TEN LARGEST EMPLOYERS
As of April 2008

Employer	Type of Business	Number of San Mateo County Employees
United Airlines	Air Carrier	9,600
Genetech Incorporated	Biotechnology	8,250
Oracle Corporation	Enterprise Software	5,642
County of San Mateo	County Government	5,443
Kaiser Permanente	Health Care	3,780
Safeway Incorporated	Retail Grocer	2,273
Electronic Arts Incorporated	Video Games	2,000
San Mateo County Community College District	Education	1,950
Mills-Peninsula Health Services	Health Care	1,800
United States Postal Service	Postal Services	1,671

Source: San Francisco Business Times, 2009 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 2008

Industry	Percentage of County Employment
Education and Health Services	9.43%
Government	9.57
Professional and Business Services	18.62
Leisure and Hospitality	10.28
Manufacturing	9.05
Trade, Transportation & Public Utilities	22.06
Information	5.11
Finance, Insurance & Real Estate	6.34

[(1)] All information updated per March 2008 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 2004 to 2007:

COUNTY OF SAN MATEO
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY GROUP
For Calendar Years 2004 through 2007

Industry Group[1]	2004	2005	2006	2007
Total All Industries	327,500	327,500	334,100	340,500
Total Agriculture	2,200	1,900	1,900	2,000
Total Nonagriculture Employment	325,300	325,600	332,100	338,500
Mining	100	100	100	–
Construction	17,700	16,300	17,300	–
Manufacturing	29,100	28,700	29,900	30,800
Nondurable Goods	12,000	12,700	13,800	14,300
Durable Goods	17,100	16,000	16,100	16,500
Trade, Transportation & Public Utilities	75,600	74,800	75,000	75,100
Wholesale Trade	11,600	11,600	12,300	12,200
Retail Trade	35,800	35,800	36,000	36,200
Information	21,100	20,500	18,500	17,400
Financial Activities	20,800	21,200	21,700	21,600
Services				
Professional and Business	57,000	59,500	61,300	63,400
Educational and Health	30,200	30,200	31,400	32,100
Leisure and Hospitality	30,700	31,400	33,200	35,000
Other	11,000	10,900	11,100	11,800
Government[2]	32,100	32,100	32,500	32,600
Federal	4,500	4,400	4,200	4,000
State & Local	27,600	27,700	28,100	28,600

(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.

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 2003 to year 2007:

COUNTY OF SAN MATEO
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
FOR CALENDAR YEARS 2003 THROUGH 2007
($ in Thousands)

Type of Business	2003	2004	2005	2006	2007
Apparel Stores	$ 312,708	$ 337,738	$ 365,474	$ 398,192	$ 425,086
General Merchandise Stores	1,207,576	1,226,528	1,247,946	1,313,029	1,363,715
Specialty Stores	1,090,344	1,129,654	1,217,982	1,249,966	–
Food Stores	399,776	401,438	408,881	411,438	430,879
Eating and Drinking Places	951,632	1,019,966	1,111,150	1,158,608	1,245,105
Home Furnishings and Appliances	437,556	510,736	515,133	512,423	535,371
Building Materials	797,381	915,860	929,948	908,205	846,050
Automotive	2,320,736	2,356,664	2,485,052	2,544,725	2,588,069
All Other Retail Stores	183,827	190,351	213,553	226,557	1,564,706
Total Retail Outlets	7,701,536	8,088,935	8,495,119	8,723,143	8,998,981
Business and Personal Services	484,754	480,851	614,539	677,986	632,367
All Other Outlets	3,172,149	3,238,288	3,341,692	3,499,262	3,694,958
Total All Outlets	$11,358,439	$11,808,074	$12,451,350	$12,900,391	$13,326,306

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 $1,157,934,000 in 2008 for both residential and commercial construction. The following table provides a building permit valuation summary for the County for 2004 through 2008:

COUNTY OF SAN MATEO
NEW BUILDING PERMIT VALUATION
FOR CALENDAR YEARS 2004 THROUGH 2008
($ in Thousands)

Type of Permit	2004	2005	2006	2007	2008
Residential:					
New Single-Dwelling	$281,409	$216,142	$227,781	$316,491	$245,436
New Multi-Dwelling	48,006	65,457	101,114	67,181	122,424
Additions/Alterations	272,003	282,584	305,663	274,264	272,176
Total Residential	$601,418	$564,182	$634,559	$657,936	$640,036
Non Residential:					
New Commercial	$131,712	$62,355	$218,651	$366,581	$114,968
New Industrial	5,541	50,701	127,901	29,264	$2,200
Other	53,168	60,459	50,058	74,829	85,471
Additions/Alterations	199,460	229,201	329,062	336,069	315,259
Total Non Residential	$389,881	$402,716	$725,672	806,743	$517,898
Total Valuation	$991,298	$966,898	$1,360,229	1,464,679	$1,157,934

Note: Totals may not add up due to independent rounding.
Source: Construction Industry Research Board.

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 tenth busiest airport in the nation in terms of passenger volume and the fourteenth busiest in cargo volume. The San Francisco Airport Commission reports that air traffic at the Airport in fiscal year 2007-08 included 36.5 million passengers, a decrease of 232,025 passengers or 0.6% from the previous period. Fifty-one major passenger and commuter airlines fly from the Airport, and twenty-three of them serve international destinations.

In fiscal year 2007-08, the Airport handled 420,784 metric tons of cargo, a decrease of approximately 129,742 metric tons or 23.6% less than in the previous period.

Although the Airport is owned and operated by the City and County of San Francisco, it plays a very significant part in the economy of the County. Air transportation is the County's largest single industry. Approximately 20,000 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, 2004-05 through June 30, 2008-09

June 30	Passengers Enplanements and Deplanements	Freight and Express Air Cargo and U.S. and Foreign Mail (Metric Tons)
2004-05	32,648,635	587,635
2005-06	32,987,850	593,570
2006-07	33,855,382	572,326
2007-08	36,707,637	550,526
2008-09	36,475,612	420,784

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 2007-08, the Port handled 1,487,064 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. In fiscal year 2007-08 there were 26,493 station exits on an average weekday at San Mateo County's six stations (Daly City, Colma, South San Francisco, San Bruno, Millbrae and San Francisco International Airport). This represents an 11 percent increase from a 2007 ridership survey and a 30 percent increase from 2004.

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. In February 2009, boardings averaged 39,122 per weekday, a 5.8 percent increase from February 2008. Average weekday ridership has increased by more than 85 percent since 1992.

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 2009 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2009 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2009 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 2009 Bonds. The 2009 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 the 2009 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 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 2009 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 2009 Bonds, except in the event that use of the book-entry system for the 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the 2009 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 2009 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 2009 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 2009 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 2009 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 2009 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 2009 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 2009 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 2009 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, the County or the Trustee takes 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]

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT