

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, 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 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.

\$185,705,000
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
LEASE REVENUE BONDS, SERIES 2018A
(ORANGE COUNTY CIVIC CENTER
INFRASTRUCTURE IMPROVEMENT PROGRAM – PHASE II)

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The \$185,705,000 aggregate principal amount of California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program – Phase II) (the “Bonds”) are being issued by the California Municipal Finance Authority (the “Authority”) pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “JPA Act”), and an Indenture, dated as of December 1, 2018 (the “Indenture”), by and between the Authority and Zions Bancorporation, National Association, as trustee (the “Trustee”).

The Authority will loan the proceeds of the Bonds to the Capital Facilities Development Corporation (the “Corporation”) pursuant to a Loan Agreement, dated as of December 1, 2018 (the “Loan Agreement”), by and between the Authority and the Corporation, which the Corporation will use to (i) finance the acquisition, construction and equipping of a new office building that includes administrative offices of the County of Orange (the “County”), a room for Board of Supervisors and department meetings, and two levels of below-grade secured employee parking for the County, as Phase II of the County’s Civic Center Infrastructure Improvement Program, all as further described herein (the “Phase II Project”), (ii) fund capitalized interest accruing on the Bonds, and (iii) pay costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “CIVIC CENTER FACILITIES STRATEGIC PLAN AND THE PHASE II PROJECT” herein.

Payments under the Loan Agreement will be made from amounts received by the Corporation from the County pursuant to the Facility Lease (Phase II), dated December 1, 2018 (the “Facility Lease”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2019. The Bonds are being issued as fully registered bonds and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). The Bonds, if issued, will be issued in denominations of \$5,000 or any integral multiple thereof. DTC will act as securities depository of the Bonds. Individual purchases of Bonds will be made in book-entry form only. Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through DTC Participants. Purchasers will not receive physical delivery of the Bonds purchased by them. See APPENDIX F – “BOOK-ENTRY SYSTEM” hereto.

The Bonds are subject to extraordinary, optional and mandatory sinking fund redemption prior to their stated maturities, as described herein. See “THE BONDS – Redemption” herein.

The Bonds do not constitute a debt or liability of the State of California (the “State”), or of any political subdivision thereof, including the County, other than the Authority, but shall be payable solely from the funds provided therefor in the Indenture. The Authority shall not be obligated to pay the principal of the Bonds, or the redemption premium or interest thereon, except from the funds provided therefor under the Indenture and neither the faith and credit nor the taxing power of the Authority, the State or of any political subdivision thereof, including the County, is pledged to the payment of the principal of or the redemption premium or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof, including the County, to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

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 must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Corporation by Orrick, Herrington & Sutcliffe LLP, for the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, for the County by County Counsel and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery through the book-entry facilities of DTC on or about December 13, 2018.

Citigroup

\$185,705,000
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
LEASE REVENUE BONDS, SERIES 2018A
(ORANGE COUNTY CIVIC CENTER INFRASTRUCTURE
IMPROVEMENT PROGRAM – PHASE II)

MATURITY SCHEDULE

Maturity (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (Base No. 13049U)
2023	\$3,635,000	5.000%	1.830%	113.536	EG0
2024	3,815,000	5.000	1.940	115.798	EH8
2025	4,005,000	5.000	2.040	117.846	EJ4
2026	4,205,000	5.000	2.160	119.486	EK1
2027	4,415,000	5.000	2.280	120.834	EL9
2028	4,635,000	5.000	2.380	122.089	EM7
2029	4,870,000	5.000	2.560	120.396*	EN5
2030	5,110,000	5.000	2.670	119.376*	EP0
2031	5,370,000	5.000	2.760	118.548*	EQ8
2032	5,635,000	5.000	2.850	117.727*	ER6
2033	5,920,000	5.000	2.970	116.644*	ES4
2034	6,215,000	5.000	3.080	115.661*	ET2
2035	6,525,000	5.000	3.190	114.688*	EU9
2036	6,850,000	5.000	3.240	114.248*	EV7
2037	7,195,000	5.000	3.290	113.811*	EW5
2038	7,555,000	5.000	3.330	113.463*	EX3

\$43,820,000 5.000% Term Bonds due June 1, 2043 Yield: 3.440%; Price: 112.512*
CUSIP†: 13049UEY1

\$55,930,000 5.000% Term Bonds due June 1, 2048 Yield: 3.510%; Price: 111.911*
CUSIP†: 13049UEZ8

* Priced to the first optional redemption date of June 1, 2028 at par.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © 2018 CUSIP Global Services. All rights reserved. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Corporation or the County and are included solely for the convenience of the registered owners of the Bonds. None of the Authority, the Corporation, the County, Bond Counsel, Underwriter's Counsel or the Municipal Advisor are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

GENERAL INFORMATION

Use of Official Statement. This Official Statement is submitted in connection with the issuance and delivery of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. No dealer, broker, salesperson or other person has been authorized by the Authority, the Corporation or the County to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the Corporation, the County or the Underwriter. 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 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, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access system.

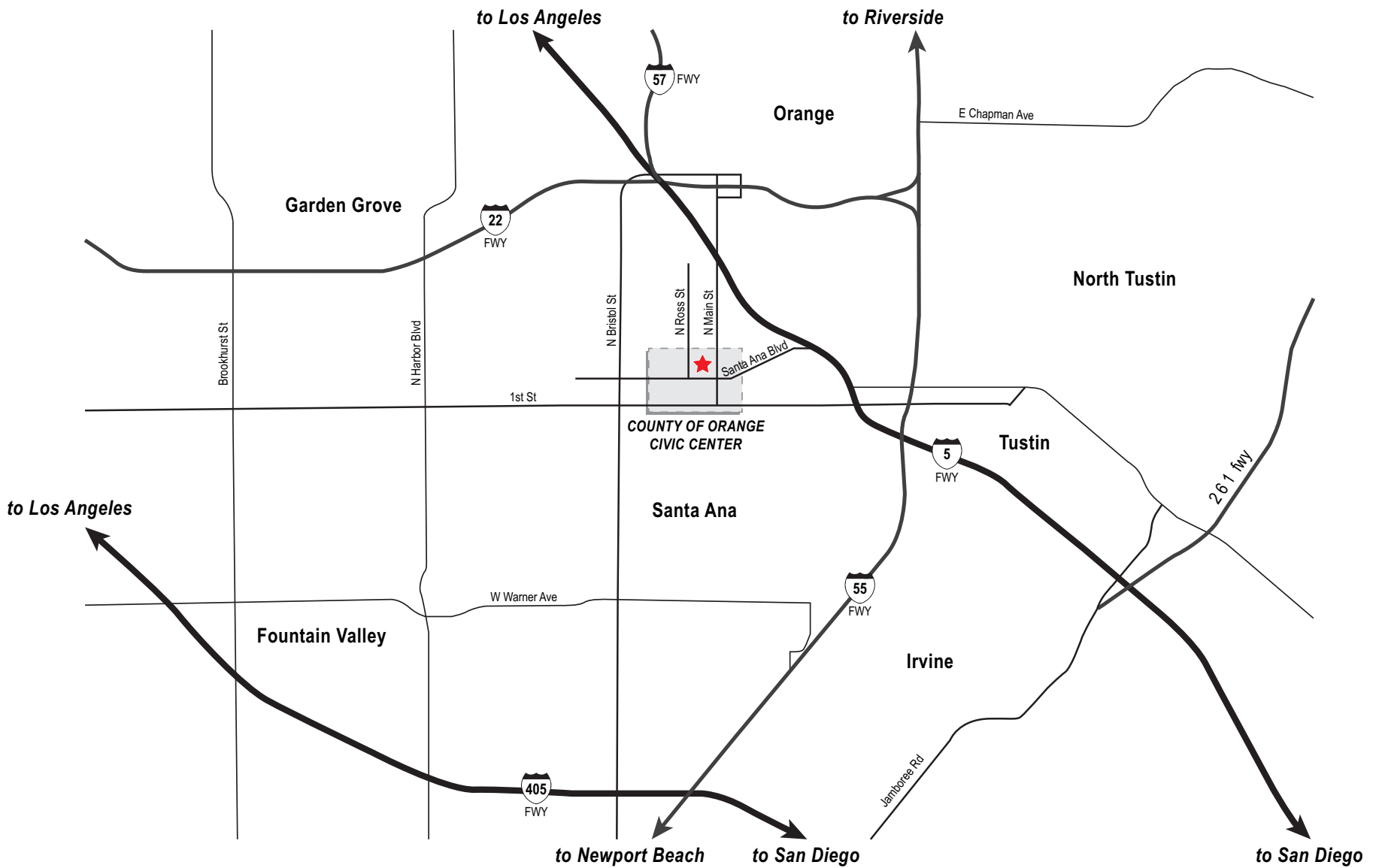
The County maintains a website with information pertaining to the County. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

Forward-looking Statements. 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. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Involvement of Underwriter. The Underwriter has submitted the following statement for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Information Subject to Change. The information and expressions of opinion 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 Corporation or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. The Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.



PROJECT SITE LOCATION MAP











CAPITAL FACILITIES DEVELOPMENT CORPORATION

Orange County, California

BOARD OF DIRECTORS

Frank Kim - *Board Member/County Executive Officer*
Thomas "Mat" Miller - *Board Member/County Chief Real Estate Officer*
Shane L. Silsby - *Board Member/County Director of OC Public Works*

DEVELOPER

Griffin Structures, Inc.
Irvine, California

SPECIAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Special Counsel

Stradling Yocca Carlson & Rauth, P.C.
Newport Beach, California

County Municipal Advisor

KNN Public Finance, LLC
Oakland, California

Trustee

Zions Bancorporation, National Association
Los Angeles, California

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OFFICIAL STATEMENT

\$185,705,000
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
LEASE REVENUE BONDS, SERIES 2018A
(ORANGE COUNTY CIVIC CENTER INFRASTRUCTURE
IMPROVEMENT PROGRAM – PHASE II)

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement, which includes the cover page, the inside cover page and appendices hereto (the “Official Statement”) and the issuance and delivery of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

General

The \$185,705,000 aggregate principal amount of California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program – Phase II) (the “Bonds”) are being issued by the California Municipal Finance Authority (the “Authority”) pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “JPA Act”), and an Indenture, dated as of December 1, 2018 (the “Indenture”), by and between the Authority and Zions Bancorporation, National Association, as trustee (the “Trustee”). The Board of Directors of the Authority approved the issuance of the Bonds pursuant to Resolution No. 18-124, adopted on October 26, 2018.

The Authority will loan the proceeds of the Bonds to the Capital Facilities Development Corporation (the “Corporation”) pursuant to a Loan Agreement, dated as of December 1, 2018 (the “Loan Agreement”), by and between the Authority and the Corporation, which the Corporation will use to (i) finance the acquisition, construction and equipping of a new office building that includes administrative offices of the County of Orange (the “County”), a room for Board of Supervisors and department meetings, and two levels of below-grade secured employee parking for the County, as Phase II of the County’s Civic Center Infrastructure Improvement Program, all as further described herein (the “Phase II Project”), (ii) fund capitalized interest accruing on the Bonds through January 1, 2023, and (iii) pay costs of issuance of the Bonds. Interest on the Bonds is expected to be paid from capitalized interest amounts prior to the delivery of a Certificate of Substantial Completion pursuant to the Development Agreement and the Loan Agreement. See “ESTIMATED SOURCES AND USES OF FUNDS” and “CIVIC CENTER FACILITIES STRATEGIC PLAN AND THE PHASE II PROJECT” herein.

Payments under the Loan Agreement will be made from amounts received by the Corporation from the County pursuant to the Facility Lease (Phase II), dated December 1, 2018, by and between the Corporation and County (the “Facility Lease”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

The Authority

Under the JPA Act, certain California cities, counties (including the County) and special districts have entered into a joint exercise of powers agreement (the “JPA Agreement”) forming the Authority for the purpose of exercising to powers common to the members and exercising the additional powers granted to the Authority by the JPA Act and any other applicable provisions of State law. Under the JPA Agreement, the Authority may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the JPA Act or any other applicable law. See “THE AUTHORITY.” The Authority does not and will not in the future monitor the financial condition of the County or the Corporation or otherwise monitor payment of the Bonds or compliance with the documents relating thereto.

The Corporation

The Corporation is a nonprofit public-benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public purposes. The Corporation was formed for the benefit of the County to help to facilitate financings or other transactions for the benefit of the County, or otherwise assist the County, and thereby lessen the burdens of government within the meaning of Section 1.501(c)(3)-1(d)(2) of the Treasury Regulations of the United States of America. In addition, the Corporation is organized exclusively for the promotion of social welfare within the meaning of Section 501(c)(4) of the Internal Revenue Code, specifically by engaging in the public and charitable purpose of lessening the burdens of government of the County. The Corporation is currently governed by a three member Board of Directors consisting of the County’s Executive Officer, Chief Real Estate Officer, and Director of OC Public Works.

The County

The County, incorporated in 1889 and located in the southern part of the State of California (the “State”), is one of the major metropolitan areas in the State and nation. It occupies a land area of 789 square miles with a coastline of 42 miles serving a population of over 3 million. The County is the third most populous county in the State, and ranks sixth in the nation. The County is governed by a five-member Board of Supervisors, who each serve four-year terms and represent districts that are approximately equal in population. The County’s organizational structure consists of six Elected Officers, seven positions appointed by and reporting to the Board of Supervisors, five Officers appointed by and reporting to the CEO and nine department heads selected by the Board of Supervisors and reporting to the Chief Operating Officer.

Additional information with respect to the County, including financial information and certain economic and demographic information relating to the County is provided in APPENDIX A – “THE COUNTY” hereto. A copy of the County’s “Comprehensive Annual Financial Report for the Year Ended June 30, 2017” is attached hereto as APPENDIX B.

The Phase II Project

The project to be financed with the proceeds of the Bonds is Phase II of the County’s Civic Center Infrastructure Improvement Program. The Phase II Project will consist of the acquisition, construction and equipping of a new office building that includes administrative offices of the County, a room for Board of Supervisors and department meetings, and two levels of below-grade secured employee parking for the County. For a more detailed description of the Phase II Project, see “CIVIC CENTER FACILITIES STRATEGIC PLAN AND THE PHASE II PROJECT” herein.

Security for the Bonds

The Bonds will be secured by Payments pursuant to the Indenture. “Payments” means (i) all moneys, if any, received by the Trustee directly from, or on behalf of, the Corporation, pursuant to the Loan Agreement (excluding Additional Payments), consisting primarily of Base Rental Payments under the Facility Lease, and (ii) all income derived from the investment of any money in any fund or account established pursuant to the Indenture.

Under the Ground Lease (Phase II), dated as of December 1, 2018 (the “Ground Lease”), by and between the County and the Corporation, the Corporation has agreed to lease the Leased Property from the County. “Leased Property” means the real property on which the Phase II Project will be constructed and the Phase II Project itself. Under the Facility Lease, the County has agreed to lease the Leased Property from the Corporation. Payments to be made under the Loan Agreement primarily consist of Base Rental Payments to be made by the County to the Corporation under the Facility Lease for the County’s beneficial use and occupancy of the Phase II Project. Base Rental Payments are due under the Facility Lease on the 15th day of the month proceeding each debt service payment on the Bonds, scheduled for each June 1 and December 1, commencing on June 1, 2019 (each an “Interest Payment Date”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein. Base Rental Payments are payable from lawfully available funds of the County including from the County’s General Fund as described herein. The County anticipates that approximately half of the Base Rental Payments will be reimbursed to the County’s General Fund from non-General Fund sources, including funding from health care and community services programs. However, the County is not obligated to pay Base Rental Payments from such non-General Fund sources.

No reserve fund or account is established for the Bonds under the Indenture.

Availability of Legal Documents

The summaries and references contained herein with respect to the Bonds, the Indenture, the Loan Agreement, the Ground Lease, the Facility Lease, the Development Agreement, statutes, agreements and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the documents described herein are available from the County’s Public Finance Director, 333 W. Santa Ana Boulevard, Santa Ana, California 92701.

PLAN OF FINANCE

The Bonds are being issued to (i) finance the costs of the Phase II Project, which consists of the acquisition, construction and equipping of a new office building that includes administrative offices of the County, a room for Board of Supervisors and department meetings, and two levels of below-grade secured employee parking for the County as Phase II of the County’s Civic Center Infrastructure Improvement Program, all as further described further under the caption “CIVIC CENTER FACILITIES STRATEGIC PLAN AND THE PHASE II PROJECT,” (ii) fund capitalized interest accruing on the Bonds through January 1, 2023, and (iii) pay costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are summarized as follows.

Sources:	
Principal Amount	\$185,705,000.00
Original Issue Premium	<u>26,599,282.75</u>
Total Sources	\$212,304,282.75
Uses:	
Project Fund	\$175,464,991.94
Capitalized Interest Account ⁽¹⁾	35,321,368.34
Costs of Issuance Fund ⁽²⁾	<u>1,517,922.47</u>
Total Uses	\$212,304,282.75

⁽¹⁾ Represents capitalized interest accruing on the Bonds through January 1, 2023. Interest on the Bonds is expected to be paid from capitalized interest amounts for that period prior to the delivery of a Certificate of Substantial Completion pursuant to the Development Agreement and the Loan Agreement.

⁽²⁾ Costs of Issuance include Underwriter's discount, fees and expenses for Bond Counsel, Underwriter's Counsel, Municipal Advisor, and Trustee, printing expenses, ratings fees and other costs related to the issuance of the Bonds.

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DEBT SERVICE REQUIREMENTS

The following table shows the annual debt service requirements on the Bonds, assuming no optional redemptions.

Fiscal Year Ending (June 30)	Principal	Interest	Total
2019	-	\$ 4,333,116.67 ⁽¹⁾	\$ 4,333,116.67
2020	-	9,285,250.00 ⁽¹⁾	9,285,250.00
2021	-	9,285,250.00 ⁽¹⁾	9,285,250.00
2022	-	9,285,250.00 ⁽¹⁾	9,285,250.00
2023	\$ 3,635,000.00	9,285,250.00 ⁽¹⁾	12,920,250.00
2024	3,815,000.00	9,103,500.00	12,918,500.00
2025	4,005,000.00	8,912,750.00	12,917,750.00
2026	4,205,000.00	8,712,500.00	12,917,500.00
2027	4,415,000.00	8,502,250.00	12,917,250.00
2028	4,635,000.00	8,281,500.00	12,916,500.00
2029	4,870,000.00	8,049,750.00	12,919,750.00
2030	5,110,000.00	7,806,250.00	12,916,250.00
2031	5,370,000.00	7,550,750.00	12,920,750.00
2032	5,635,000.00	7,282,250.00	12,917,250.00
2033	5,920,000.00	7,000,500.00	12,920,500.00
2034	6,215,000.00	6,704,500.00	12,919,500.00
2035	6,525,000.00	6,393,750.00	12,918,750.00
2036	6,850,000.00	6,067,500.00	12,917,500.00
2037	7,195,000.00	5,725,000.00	12,920,000.00
2038	7,555,000.00	5,365,250.00	12,920,250.00
2039	7,930,000.00	4,987,500.00	12,917,500.00
2040	8,325,000.00	4,591,000.00	12,916,000.00
2041	8,745,000.00	4,174,750.00	12,919,750.00
2042	9,180,000.00	3,737,500.00	12,917,500.00
2043	9,640,000.00	3,278,500.00	12,918,500.00
2044	10,120,000.00	2,796,500.00	12,916,500.00
2045	10,630,000.00	2,290,500.00	12,920,500.00
2046	11,160,000.00	1,759,000.00	12,919,000.00
2047	11,715,000.00	1,201,000.00	12,916,000.00
2048	<u>12,305,000.00</u>	<u>615,250.00</u>	<u>12,920,250.00</u>
TOTAL	\$185,705,000.00	\$182,363,616.67	\$368,068,616.67

⁽¹⁾ Includes capitalized interest accruing on the Bonds through January 1, 2023.

THE BONDS

General

The Bonds will be dated the date of their delivery and mature on June 1 in the years and in the amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30 day months and will be payable in arrears on each Interest Payment Date. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America upon surrender at the Principal Corporate Trust Office. So long as the registered owner of the Bonds are Cede & Co., payment of principal and redemption shall be made without presentment.

The interest on any Bond shall be payable to the person whose name appears on the registration books of the Trustee as the registered owner thereof as of the close of business on the Record Date for the Interest Payment Date, such interest to be paid by check mailed by first class mail, postage prepaid, on the Interest Payment Date, to the registered owner at his or her address as it appears on such registration books. Notwithstanding the foregoing, however, any Holder of \$1,000,000 or more in an aggregate principal amount of the Bonds shall be entitled to receive payments of interest on the Bonds held by it by wire transfer of immediately available funds to such bank or trust company located within the United States of America as such other Holder shall designate in writing to the Trustee by the first Record Date for such payment. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable in same day funds by the Trustee to Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest. “Record Date” means, with respect to an Interest Payment Date for the Bonds, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day. A Special Record Date may be fixed by the Trustee, notice thereof being given to the Bondholders not less than 10 days prior to such Special Record Date. “Special Record Date” means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on Bonds.

Redemption

Extraordinary Optional Redemption from Insurance and Condemnation Proceeds. The Bonds are subject to redemption prior to their stated maturity, at the option of the Corporation, as a whole or in part on any date from moneys required to be transferred from the Insurance Proceeds and Condemnation Awards Fund to the Special Redemption Account at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Optional Redemption. At the option of the Corporation, the Bonds are subject to optional redemption prior to their respective stated maturities, from any amounts in the Redemption Fund, in whole or in part on any date on or after June 1, 2028, at a redemption price of par plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption. The Bonds maturing on June 1, 2043 are also subject to redemption prior to their respective stated maturities in part, by lot, from Mandatory Sinking Account Payments in the following amounts and on the following dates:

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
2039	\$7,930,000
2040	8,325,000
2041	8,745,000
2042	9,180,000
2043*	9,640,000

* Final maturity.

The Bonds maturing on June 1, 2048 are also subject to redemption prior to their respective stated maturities in part, by lot, from Mandatory Sinking Account Payments in the following amounts and on the following dates:

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
2044	\$10,120,000
2045	10,630,000
2046	11,160,000
2047	11,715,000
2048*	12,305,000

* Final maturity.

In the event of any optional redemption of the Bonds or any extraordinary optional redemption of the Bonds from amounts transferred from the Insurance Proceeds and Condemnation Awards Fund to the Special Redemption Account, the Corporation will provide the Trustee with a revised sinking fund schedule for these Term Bonds giving effect to the redemption so completed.

Notice of Redemption. Notice of any redemption of Bonds shall be mailed, by first class mail, postage prepaid, or by any other acceptable electronic means selected by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date to the respective Holders thereof at the addresses appearing on the bond registration books. Each notice of redemption shall contain all of the following information: (a) the date of such notice; (b) the name of the Bonds and the date of issue of the Bonds; (c) the redemption date; (d) the redemption price; (e) the dates of maturity of the Bonds to be redeemed; (f) if less than all of the Bonds of any maturity are to be redeemed, the distinctive numbers of the Bonds of each maturity to be redeemed; (g) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (h) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (i) a statement that such Bonds must be surrendered by the Holders at the Principal Corporate Trust Office of the Trustee, or at such other place or places designated by the Trustee; (j) a statement that such redemption is conditioned upon the receipt by the Trustee, on or prior to the redemption date, of moneys sufficient to pay the redemption price or upon the happening of such other event as shall be specified therein, and if such moneys shall not have been so received, said notice shall be rescinded and the redemption shall be cancelled; (k) a statement that any such redemption notice can be rescinded as provided in the Indenture; and (l) notice that further interest on such Bonds, if any, will not accrue from and after the designated redemption date.

If money is not received, the Trustee shall give notice on or prior to such redemption date to the persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there will be no redemption of the Bonds pursuant to the notice of redemption. Failure of the Trustee to give such notice or any defect therein shall not in any way impair or affect the validity of the proceedings for redemption.

Selection of Bonds for Redemption. When any redemption is made pursuant to any of the provisions of the Indenture and less than all of the Outstanding Bonds are to be redeemed, the Trustee shall select the Bonds to be redeemed from the Outstanding Bonds not previously called for redemption, by lot within a maturity and, if from more than one maturity, in such other order of maturity as shall be specified in a Request of the Corporation. In no event shall Bonds be redeemed in amounts other than whole multiples of Authorized Denominations. The Trustee shall promptly notify the Authority and the Corporation in writing of the numbers of the Bonds selected for redemption.

Effect of Notice; Redemption. The actual receipt by the Holder of any Bond or any other party of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest, if any, on the date fixed for redemption. Notice of redemption having been given, and the redemption price of the Bonds called for redemption being on deposit or otherwise available to the Trustee, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest, if any, shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Holders of such Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the redemption premium thereon, if any, only to the fund established for such purpose. All Bonds redeemed shall be cancelled forthwith by the Trustee and shall not be reissued.

Additional Bonds

At the written request of the Corporation, the Authority and the Trustee may, by execution of a Supplemental Indenture without the consent of the Owners, provide for the execution and delivery of Additional Bonds payable from additional Payments, as provided in the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” hereto.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are limited obligations of the Authority secured and payable from all of the Payments and any other amounts (excluding proceeds of the sale of Bonds deposited to the Costs of Issuance Fund) held in any fund or account (other than the Rebate Fund and the Costs of Issuance Fund) established pursuant to the Indenture. “Payments” means (i) all moneys, if any, received by the Trustee directly from, or on behalf of, the Corporation, pursuant to the Loan Agreement (excluding Additional Payments), and (ii) all income derived from the investment of any money in any fund or account established pursuant to the Indenture. The Payments primarily consist of Base Rental Payments to be made by the County to the Corporation under the Facility Lease. See “– Facility Lease; Annual Appropriation” below. Information with respect to the County, including financial information and certain economic and demographic information relating to the County is provided in APPENDIX A – “THE COUNTY” hereto. A copy of the County’s “Comprehensive Annual Financial Report for the Year Ended June 30, 2017” is attached hereto as APPENDIX B.

Under the Indenture, the Authority will assign to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Payments and other amounts pledged under the Indenture as described in the preceding paragraph and all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the Retained Rights) and the Development Agreement (to the extent assigned to the Corporation under the Facility Lease). The Trustee shall be entitled to and shall receive all of such assigned Payments, and any such Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also will be entitled to and shall (subject to the provisions of the Indenture) take all steps, actions and proceedings following any event of default under the Loan Agreement reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and all of the obligations of the Corporation under the Loan Agreement.

Limited Obligation

The Bonds do not constitute a debt or liability of the State, the County or of any political subdivision thereof, other than the Authority, but shall be payable solely from the funds provided therefor in the Indenture. The Authority shall not be obligated to pay the principal of the Bonds, or the redemption premium or interest thereon, except from the funds provided therefor under the Indenture and neither the faith and credit nor the taxing power of the Authority, the State, or of any political subdivision thereof, including the County, is pledged to the payment of the principal of or the redemption premium or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State, the County or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

Moreover, neither the Authority nor the County shall be liable for any other costs, expenses, losses, damages, claims or actions, in connection with the Loan Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under the Loan Agreement.

Facility Lease; Annual Appropriation

Base Rental Payments. Under the Ground Lease, the Corporation has agreed to lease certain Leased Property from the County. Under the Facility Lease, the Corporation has agreed to lease such Leased Property back to the County in consideration for the Base Rental Payments. Capitalized interest will be funded during the expected construction period for the Phase II Project to make Base Rental Payments. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. Base Rental Payments will commence under the Facility Lease when the Certificate of Substantial Completion pursuant to the Development Agreement and the Loan Agreement has been delivered to the Trustee.

Assignment by the Corporation. As security for the payment of the Bonds, the Corporation will assign to the Trustee pursuant to the Facility Lease certain of the Corporation’s rights under the Facility Lease and under the Ground Lease, including the right to receive Base Rental Payments; and the County will assent to such assignment and agree to make all payments due under the Facility Lease, including Base Rental Payments, from lawfully available funds of the County, directly to the Person or Persons entitled to such payments or for deposit to the appropriate fund or account held by the Trustee under the Indenture, without defense or set off by reason of any dispute between the County and the Corporation, the Authority or the Trustee. By virtue of such assignment, the Trustee will be a third party beneficiary of the Facility Lease and shall have the right to enforce the obligations of the County under the Facility Lease, subject to the limitations set forth in the Facility Lease.

Additional Payments. In addition to Base Rental Payments, the County will agree under the Facility Lease to pay Additional Payments in such amounts in each year as are required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Facility Lease, including, but not limited to, all taxes and assessments of any type or character charged to the Corporation, the Authority or to the Trustee affecting the amount available to the Corporation, the Authority or the Trustee from payments to be received or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding any taxes based upon the capital and/or income of the Trustee, the Corporation or any other person other than the County; provided, however, that the County shall have the right to protest any such taxes or assessments and to require the Authority, the Corporation or the Trustee, as the case may be, at the County's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the County shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would materially adversely affect the rights or interests of the Authority, the Corporation or the Trustee.

Covenant to Budget and Appropriate. The County will covenant in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each fiscal year and to make all necessary appropriations for such Base Rental Payments and Additional Payments. See, however, "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rental Abatement" herein.

Loan Agreement; Assignment of Gross Revenues

As security for the payment of the Bonds, the Authority will assign to the Trustee as provided in the Loan Agreement certain of the Authority's rights under the Loan Agreement, including the right to receive payments thereunder, but excluding any deposits to the Rebate Fund; and the Corporation will assent to such assignment and agree that all Gross Revenues shall be paid directly to the Trustee, without defense or set off by reason of any dispute between the Corporation and the Authority or the Trustee. "Gross Revenues" means, for any Fiscal Year, all of the revenues, income, cash receipts and other money received by the Corporation, or received by the Trustee on behalf of the Corporation pursuant to the Indenture, that are legally available for payment of the obligations of the Corporation under the Loan Agreement. By virtue of such assignment and certain obligations of the Corporation to the Trustee, the Trustee will be a third party beneficiary of the Loan Agreement and will have the right to enforce the obligations of the Corporation thereunder, subject to the terms thereof. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" hereto.

Flow of Funds Under Indenture

All Payments, the proceeds of rental interruption insurance, liquidated damages, if any, and any payments made under of the Development Agreement to the Trustee as loss payee shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee is directed under the Indenture to establish, maintain and hold in trust. All Payments shall be held in trust for the benefit of the Holders from time to time of the Bonds under the Indenture but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture; provided, however, and notwithstanding the foregoing, if the Trustee receives Payments in an amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date or Principal Payment Date, as the case may be, after giving effect to the funds then on deposit in the Revenue Fund not needed for any other purpose under the Indenture, then amounts in the Revenue Fund

not needed to make such payments may be utilized by the Trustee, as directed in writing by the Corporation, for any other purpose.

Except as otherwise provided in the Indenture, the Trustee shall deposit the Payments in the Revenue Fund at the time and in the priority and manner provided in the Indenture in the following respective accounts, each of which the Trustee agrees to establish and maintain and hold in trust until all required Payments are paid in full or until such date as the Bonds are no longer Outstanding, and the moneys in each of such accounts shall be disbursed only for the purposes and uses authorized in the Indenture. The Trustee shall establish and maintain the Capitalized Interest Account within the Interest Account until the date all amounts are transferred therefrom in accordance with the Indenture.

(1) The Trustee, on each Interest Payment Date, shall transfer to the Interest Account, the aggregate amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding; provided, however, that on each Interest Payment Date occurring on or before the later of January 1, 2023 or the delivery to the Trustee of the Certificate of Substantial Completion, before making said deposit, if and to the extent available in the Capitalized Interest Account within the Interest Account, an amount equal to the aggregate amount of interest coming due on such Interest Payment Date, shall be transferred from the Capitalized Interest Account within the Interest Account to the Interest Account. Upon the later of January 1, 2023 or the delivery to the Trustee of the Certificate of Substantial Completion, the Trustee shall transfer any amounts then remaining in the Capitalized Interest Account to the Interest Account and close the Capitalized Interest Account; and

(2) The Trustee, on each Principal Payment Date, shall transfer to the Principal Account, a sufficient amount of money such that the aggregate of amounts therein equal the principal or Mandatory Sinking Account Payment coming due on such Principal Payment Date.

No Reserve

No reserve fund or account is established for the Bonds under the Indenture.

Insurance

Prior to Substantial Completion. Prior to delivery to the Trustee of the Certificate of Substantial Completion pursuant to the Development Agreement and the Loan Agreement, insurance shall be obtained for the Phase II Project pursuant to the Development Agreement. See “CIVIC CENTER FACILITIES STRATEGIC PLAN AND THE PHASE II PROJECT – Phase II Project Development – *Insurance During Construction*” herein.

After Substantial Completion. From and after the delivery to the Trustee of the Certificate of Substantial Completion, the County will secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by the Facility Lease. Such insurance shall consist of:

(1) Fire and Extended Coverage Insurance; Insurance Proceeds. The County will procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease and commencing with the County’s beneficial use and occupancy of the Leased Property, all-risk property insurance including, without limitation earthquake coverage if determined by the County in its discretion to be available at a commercially reasonable price. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of the Leased Property, except that such insurance may be subject to deductible

clauses for any one loss of not to exceed five hundred thousand dollars (\$500,000) (or a comparable deductible adjusted for inflation as determined by the County in its reasonable discretion), or, in the alternative, shall be in an amount and in a form sufficient, in the event of total or partial loss, to prepay all outstanding principal components of Base Rental Payments due. Such insurance may be part of a joint-purchase insurance program. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

In the event that such coverage is not included in paragraph (1) above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than \$75,000,000 per accident; provided, however, that the amount of coverage required by this sentence may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in amount to \$75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed \$100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County which may be limited in amount to \$75,000,000 per accident. Otherwise conforming policies satisfying the requirements of this paragraph (1) may provide that amounts payable as coverage under this paragraph (1) may be reduced by amounts payable under paragraph (2) for the same occurrence, and vice versa.

In the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by such insurance, the County, except as provided in the Facility Lease, will cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property, and the net proceeds, if any, of the insurance policy described in this paragraph (1) shall be payable to the Trustee for deposit in the Insurance Proceeds and Condemnation Awards Fund, to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The County shall permit withdrawals of said proceeds from time to time for the purpose of repair, reconstruction or replacement only in the event that the Base Rental Payments payable in each year following such repair, reconstruction or replacement shall equal the amount of Base Rental Payments payable in such year as set forth in the Base Rental Payment Schedule. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be applied by the County as Base Rental Payments. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay an aggregate principal amount of Base Rental Payments equal to the portion of the Leased Property so destroyed or damaged (determined by reference to the proportion that the acquisition cost of such portion of the Leased Property bears to the acquisition cost of the Leased Property), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Base Rental Payments.

The Authority and the County will promptly apply for Federal disaster aid or State disaster aid in the event that the Leased Property is damaged or destroyed as a result of an earthquake occurring at any time. Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Property, or, at the option of the County; to prepay all outstanding principal components of Base Rental Payments due under the Facility Lease if such use of such disaster aid is permitted.

(2) Liability Insurance. Except as hereinafter provided, the County will procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease commencing with the County's beneficial use and occupancy of the Leased Property, a commercial general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees, indemnifying said parties against all direct or contingent loss or liability for damages for bodily injury, death or property damage occasioned by reason of the operation of the Leased Property, with minimum liability limits of two million dollars (\$2,000,000) for bodily injury or death of each person in each accident or event, and in a minimum amount of five hundred thousand dollars (\$500,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks. Such liability insurance may be part of a joint-purchase insurance program. Such insurance may be maintained by the County in the form of self-insurance.

(3) Rental Interruption Insurance. The County shall maintain insurance issued by a responsible carrier against rental interruption or loss of use and possession of the Leased Property or, as an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance shall be maintained by the County in an amount sufficient to pay the maximum annual Base Rental Payments for any two-year period, except that such insurance may be subject to a deductible clause of not to exceed \$500,000 (or a comparable deductible adjusted for inflation as determined by the County in its reasonable discretion) and such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (1) or (2) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (3) as a joint insured with one or more other public agencies within or without the County which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (1) or (2) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (3) may provide that amounts payable as coverage under this paragraph (3) may be reduced by amounts payable under paragraph (1) or (2), as the case may be, for the same occurrence, and vice versa.

(4) Workers' Compensation Insurance. The County shall maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance may be maintained by the County in the form of self-insurance.

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (1) and (2) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided herein or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance herein required. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

Any insurance policy issued pursuant to paragraph (1) or (2) above shall be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (1) or (2) above shall be applied pursuant to the Facility Lease. The net proceeds, if any, of the insurance policy described in paragraphs (1) and (2) above shall be payable to the Trustee for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (3) above shall be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in this section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

All insurance required by the Facility Lease will provide that the Trustee shall be given 30 days written notice of each lapse or a reduction of the coverage below the minimum requirements stated in paragraphs (1), (2) and (3) above. Neither the Trustee nor the Authority will be responsible for the sufficiency of any insurance herein required and both the Trustee and the Authority shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Authority. The County will pay when due the premiums for all insurance policies required by the Facility Lease, and shall promptly furnish evidence of such payments to the Trustee, upon its written request.

The Authority, the Corporation and the County make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Facility Lease. In addition, certain risks may not be covered by such property insurance.

Earthquake Insurance. The County currently maintains \$125 million of earthquake insurance on certain County properties, subject to a deductible of 2% of the total insured value for the building with a minimum deductible of \$100,000 per insured unit. Such insurance is expected to include under its aggregate coverage the Phase II Project once a Certificate of Substantial Completion is signed by the Architect. Earthquake insurance is required to be obtained and maintained, however, under the Facility Lease only if determined by the County in its discretion to be available at a commercially reasonable price. No assurance can be provided that the County will maintain any earthquake insurance for the Leased Property or any part of the Phase II Project. See “RISK FACTORS – Risk of Uninsured Loss” herein.

Rental Abatement

Until such time as a Certificate of Substantial Completion has been delivered to the Trustee, the County’s obligation to pay Base Rental Payments will be limited solely to amounts on deposit in the Revenue Fund (including, without limitation, the Capitalized Interest Account established pursuant to the Indenture), and, if, any rental payments with respect to the Leased Property will be at any time abated in full, and the County will have no obligation to make any Base Rental Payments from any other source. Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or any account thereof, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally

available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference.

Any abatement of rental payments pursuant to the Facility Lease will not be considered an Event of Default under the Facility Lease. The County waives all rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and, with respect to damage to or destruction of the Leased Property, ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion thereof so damaged or destroyed, and with respect to a title defect interfering with the use and possession by the County of any portion of the Leased Property, ending with the interference with the use and possession caused by such title defect.

If rental is abated, in whole or in part, pursuant to the Facility Lease due to material damage or destruction of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Re-letting of the Leased Property

Upon an Event of Default under the Facility Lease, and in the event the Authority, the Corporation or the Trustee elects not to terminate the Facility Lease, the Corporation will have the right and the County irrevocably appoints the Corporation as its agent and attorney-in-fact under the Facility Lease for such purpose to attempt to re-let the Leased Property at such rent, upon such conditions and for such term, and to do all other acts to maintain or preserve the Leased Property, including the removal of persons or property therefrom or taking possession thereof, as the Corporation or the Authority deems desirable or necessary, and the County hereby waives any and all claims for any damages that may result to the Leased Property thereby; provided, that no such actions shall be deemed to terminate the Facility Lease and the County will continue to remain liable for any deficiency that may arise out of such re-letting, taking into account expenses incurred by the Corporation or the Authority due to such re-letting, payable at the same time and manner as provided for Base Rental in the Facility Lease.

Substitution or Removal of Leased Property

The County may amend the Facility Lease and the Ground Lease in writing from time to time by mutual agreement of the parties to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property upon compliance with all of the conditions set forth below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Facility Lease and under the Ground Lease. No Substitution or Removal shall take place under the Facility Lease until the County delivers to the Corporation and the Trustee the following:

(1) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(2) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal (which commercially reasonable evidence may include, but not necessitate, appraisals undertaken by appraisers who are employed by the County or independent of the County, or other information provided to or maintained by the County), which determination shall be final and conclusive; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

(3) An Opinion of the County Counsel of the County to the effect that the amendments to the Facility Lease and to the Ground Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Corporation enforceable in accordance with their terms;

(4) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the principal portion of the then-remaining Base Rental Payments payable under the Facility Lease multiplied by a fraction, the numerator of which is that portion of the principal portion of the then-remaining Base Rental Payments payable under the Facility Lease attributable to the Substituted Property and the denominator of which is the principal portion of the then-remaining Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(5) In the event of a Substitution, the Corporation and the County shall consent in writing and certify to the Trustee that such exceptions and Permitted Encumbrances, if any, contained in the title insurance policy referred to in (4) above will not materially impair the leasehold interests of the Corporation or the beneficial use and occupancy of the Substituted Property described in such policy by the County and will not result in an abatement of Base Rental Payments payable by the County under the Facility Lease;

(6) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Bonds to be includable in gross income of the Holders thereof for federal income tax purposes; and

(7) Evidence that the County has complied with the insurance covenants contained in the Facility Lease with respect to the Substituted Property.

Encumbrances

The County and the Corporation will agree under the Facility Lease that they will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances. The County and the Corporation will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as

otherwise provided in the Facility Lease. Notwithstanding anything to the contrary contained in the Facility Lease, the County may assign, transfer or sublease any and all of the Leased Property or its other rights under the Facility Lease, provided that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Corporation under the Facility Lease, (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations under the Facility Lease, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in any other section of the Facility Lease, and (d) no such assignment, transfer or sublease will confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted under the Facility Lease by an amendment to the Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” hereto.

CIVIC CENTER FACILITIES STRATEGIC PLAN AND THE PHASE II PROJECT

Civic Center Facilities Strategic Plan

On April 25, 2017 the Board of Supervisors approved the County of Orange Civic Center Facilities Strategic Plan (the “Civic Center Plan”). The Civic Center Plan involves the +/- 11 acre County “superblock” (bounded by Ross Street, Civic Center Drive, Broadway and Santa Ana Boulevard), as well as County satellite buildings within the vicinity of the Civic Center. Key goals of the plan are to improve the delivery of County services to the community by grouping similar and related services; to improve efficiencies through these departmental adjacencies; reduce energy costs by capitalizing on the Central Utilities Facility; and to improve space usage which are projected to result in lower long-term operating and maintenance costs for the County. To accomplish these goals, the plan anticipates the renovation of several existing facilities and the replacement of several facilities with new construction. The Civic Center Plan would result in a net increase of 390,000 square feet of government office uses within the superblock area. Implementation would occur in four phases over approximately 18 years. There are no contracts yet in place for future phases beyond Phases I and II.

Phase I

Phase I of the Civic Center Plan consists the acquisition, construction and equipping of an office building, public serving counter, and events center containing approximately 254,000 gross square feet and a 350 stall subterranean parking structure. The development of Phase I is currently proceeding ahead of schedule and under budget and is expected to be substantially completed by January 2020. Proceeds of the Bonds are not expected to be applied to any portion of Phase I.

Phase II - Project Summary

The Phase II Project to be financed with the proceeds of the Bonds is located at 645 Ross Street in Santa Ana, California, in the Civic Center Plaza. The Phase II Project is being constructed to “essential facility standards (structural)” and consists of the design, construction and equipping of a new office building that includes administrative offices of the County, a room for Board of Supervisors and department meetings, and two levels of below-grade secured employee parking for the County. The board room is sized for approximately 300 people in the public seating area as well as staff in the support area and officials at the dais. The County Departments scheduled to occupy the Phase II Project are County Administrative Departments. See “CIVIC CENTER FACILITIES STRATEGIC PLAN AND THE PHASE II PROJECT – Phase II Project Description” below.

The Phase II Project will be constructed for a guaranteed maximum price of \$190,112,642. Substantial completion of the Phase II Project and beneficial use and occupancy by the County is expected to occur by June 28, 2022, subject to unexpected delays. Upon substantial completion, the County will maintain and operate the Phase II Project.

The site is fully entitled and all environmental requirements for the Phase II Project will be satisfied by the mitigation measures identified in the Certified EIR (described below). No hazardous substances that would impair the Phase II Project have been identified on the site. The Construction Manager (described below) is installing cross-bracing on each floor to mitigate against any seismic activity that may occur during the construction period.

See “RISK FACTORS – Construction and Completion Risk” herein.

Phase II Project Description

Office Building. The Phase II Project consists of approximately 254,234 Gross Square Feet (“GSF”) over 6 floors, and two levels of below-grade secured employee parking (approximately 152,346 GSF) for up to 350 vehicles. Approximately 80% of the floor plan for the building is open space. The building is being structurally and seismically designed enhanced to meet 150% of building code requirements and will satisfy “essential facility standards (structural).”

Hearing Room. The Hearing Room is designed for the Board of Supervisors hearings, as well as other departmental meetings. It will include the dais, room for staff and seating for up to 300 members of the public. The hearing room will be designed for audio visual display and streaming capabilities for those viewing from the overflow rooms and/or off-site.

Sustainable Design Attributes. Sustainable design attributes of the Phase II Project include the following:

- Designed to meet LEED NC Silver Certification.
- Designed to satisfy Green Building Code and Water Quality regulations.
- Building aligned on the site for enhanced energy efficiency.
- Cost-effective, durable, low-maintenance materials include precast concrete panels at the exterior and terrazzo flooring at the ground floor interior high traffic areas.
- Glazing to be dual-glazed with low-E coating for higher energy efficiency.
- Lighting to be LED for long life, low maintenance, and high energy efficiency.
- Charging stations are being provided for electric vehicles.

Phase II Project Team

The Phase II Project will be designed and constructed by the Phase II Project Team comprised of Griffin Structures Inc. (the “Developer”), LPA, Inc. (the “Architect”) and Swinerton Builders (the “Construction Manager”). See APPENDIX G – “DEVELOPMENT AGREEMENT” hereto.

The Phase II Project Team is currently working together on Phase I of the County of Orange Civic Center Facilities Strategic Plan, which consists the acquisition, construction and equipping of an office building, public serving counter, and events center containing approximately 254,000 gross square feet and a 350 stall subterranean parking structure. The development of Phase I is currently proceeding ahead schedule and under budget and is expected to be substantially completed by January 2020. Proceeds of the Bonds are not expected to be applied to any portion of Phase I. Building 14 is essentially

a “twin” structure to Building 16, and is the second Phase of the County’s Civic Center “super block” of governmental services to the community.

In addition, the Developer and the Architect have successfully collaborated on 25 public-sector projects over the past 19 years. The Developer and the Construction Manager have successfully collaborated on 12 projects over the past 12 years, including delivery of the Quartz Hill Library public private partnership project for the County of Los Angeles, and the City of Salinas police headquarters and library projects.

Following are brief descriptions of the Phase II Project Team.

Developer. Griffin Structures, Inc. is the Developer for the Phase II Project. The Developer’s website is: www.griffinholdings.net. Information set forth on such website is not incorporated herein by reference. The Developer is a California-based, award-winning, development, program, design and construction management organization providing strategic project delivery solutions to public, non-profit, and private sector clients since 1981. Headquartered in Irvine, California, the Developer also maintains a Northern California office in Santa Clara. For more than three decades the Developer has worked with counties and cities to plan, design, build, and finance facilities needed to serve their communities. The Developer provides a team of experienced professionals in the design, development, and construction fields. The firm’s professionals deliver complex projects-managing projects from planning, design, development, and construction, to entitlements through post-occupancy. Several of the firm’s professionals are certified construction managers and/or LEED certified. The Developer has provided services in connection with a wide range of project delivery methods, including: public-private partnerships, design-build, and project financing.

The Developer has successfully completed over 150 projects for the public sector. The Developer’s experience includes administration complexes, police, fire and public safety facilities, city halls, libraries, community/senior centers, parking structures, corporation yards, parks and trail systems, zoos, non-profit facilities, commercial buildings, and related infrastructure.

In addition to its current portfolio of public projects (e.g. San Bernardino County Civic Center, Lake Gregory Dam Restoration, Buena Park main police facility, \$180 million Anaheim convention center expansion) the Developer recently completed the Quartz Hill Library, the first public private partnership project delivered for the County of Los Angeles. The Developer is engaged to deliver new police headquarters and library projects to the City of Salinas, California. These two projects, with a combined value of \$75 million, are being developed as a public private partnership. Construction for the projects began in August 2018, with occupancy scheduled for 2020. The Developer is also serving as development manager and owner’s representative for the Anaheim NHL Ducks for a new \$103 million facility, presently under construction at the Great Park in Irvine, California. LPA, Inc., the architect for the Phase II Project, is serving as the architect for the Anaheim NHL Ducks project and the City of Salinas police headquarters project, and Swinerton Builders, the construction manager for the Phase II Project, is the construction manager for the Anaheim NHL Ducks project, and the aforementioned City of Salinas projects.

Examples of the Developer’s projects that have received awards include: government campuses for the County of San Bernardino, the City of Hesperia and the City of Fullerton, city hall projects for Rancho Santa Margarita, San Dimas and Santa Ana, community centers for Cypress, Delhi, Fullerton (LEED NC), Huntington Beach, Laguna Beach, Lawndale (LEED Silver), Rancho Santa Margarita and San Dimas, and educational facilities for the Environmental Nature Center in Newport Beach (LEED Platinum), the Fullerton Main Library (LEED NC), the Hesperia Public Library and the Tustin Main Library.

Construction Manager. Swinerton Builders, the construction manager for the Phase II Project, was founded in 1888 and undertakes construction projects throughout California and other states. The Construction Manager's website is: www.swinerton.com. Information set forth on such website is not incorporated herein by reference. Swinerton currently has the oldest active California General Contractor's License, #92. For the last three years the Construction Manager has been ranked as the largest general contractor in California by the Engineering News Record. The Construction Manager completed over \$4 billion "put in place" construction in both 2016 and 2017. The firm currently employs approximately 2,400 professionals throughout 18 offices across the nation including Irvine, Los Angeles, San Diego, San Francisco, Sacramento, Santa Clara, Denver, Austin, Hawaii, Portland, Bend, Seattle, and Atlanta. The Construction Manager has an aggregate bonding limit of over \$2.5 billion, available bonding capacity of \$1.6 billion, and a maximum bonding limit of \$500 million per project. For a description of the payment and performance bond requirements applicable to the Phase II Project under the Development Agreement, see "- Payment and Performance Bonds" below.

Representative Southern California projects completed by the Construction Manager include the following: LAX Terminal 5 improvements for Delta Airlines, John Wayne Airport Terminal A&B improvements, High Desert Health System Multi-Service Ambulatory Care Center, Turner Riverwalk, UCSD Charles David Keeling Apartments, the Carlyle, Sunroad Centrum, a LEED certified office structure, and NASA Jet Propulsion Laboratory Flight Projects Center. The Construction Manager has completed more than 200 LEED projects, valued at more than \$4.2 billion. The firm's experience includes civic infrastructure projects, many of them in collaboration with the Developer, including Buildings 16 and 14 for the County and the City of Salinas police headquarters and library.

Architect. LPA, Inc. (the "Architect"), the architect for the Phase II Project has been in business for more than fifty years. Architect's website is: www.lpainc.com. Information set forth on such website is not incorporated herein by reference. The Architect has approximately 425 employees: 70% LEED Accredited Professionals and 47% licensed professionals (Architect, PE, CID, etc.). As one of the largest integrated design firms in California and Texas, the Architect provides architecture, planning, landscape architecture, interior design, engineering, and graphic/signage services from early program development to project closeout. Representative projects completed by the Architect include the following: Building 16 as part of Phase I, NASA Jet Propulsion Laboratory Flight Projects Center, Capital Group Companies, Premier Automotive Group, 200 Spectrum Center, 520 Newport Center, Santa Clara Gateway, Edwards Lifescience, Brentwood Civic Center, Hesperia Civic Center and San Bernardino County Public Safety Operations Center. The Architect has won more than 700 major design awards and completed over 50 LEED certified projects in California. The Developer and the Architect have successfully collaborated over the past 20 years on numerous projects in the public sector, including Buildings 16 and 14 and the City of Salinas police headquarters.

Phase II Project Development

Development Agreement and CMAR Contract. The Corporation and the Developer have entered into a Development Agreement in connection with the Phase II Project; see Appendix G hereto (the "Development Agreement"). The Development Agreement is the primary document governing development and construction management services in connection with the construction of the Phase II Project. The Developer will not personally perform any design or construction services, but has or will contract directly and separately with (i) the Construction Manager who is to be engaged to construct the Phase II Project, (ii) the Architect and engineers and related design consultants designing the Phase II Project, and (iii) such other contractors or consultants who may be engaged to perform discrete elements of design or construction work on the Phase II Project to the extent not covered by the construction management contract for the Phase II Project (the "CMAR Contract") between the Corporation and the Construction Manager or the Architect Agreement, between the Developer and the Architect.

Pursuant to the Development Agreement, the Developer will require that the Construction Manager to include in all Construction Contracts recitations or provisions requiring the following:

Labor Code §1700: Provisions requiring all Contractors employed on the Phase II Project to be responsible to pay the prevailing rate of wages as defined in California Labor Code Sections 1700 et seq. (but expressly excluding the Davis-Bacon Act and any rules and regulations promulgated thereunder), and to indemnify the Corporation, the County, the Developer and the Trustee for claims arising out of failure to pay proper wages;

Safety: Provisions for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the Phase II Project;

Indemnity: Provisions for indemnifying the Corporation, the County, the Developer and Trustee for claims arising out of the negligence or willful misconduct of such Contractor and its employees and agents; and

Assignment: Provisions for assignment to the Trustee upon an Event of Default under the Indenture for which the Developer has received written notice from the Trustee.

Liquidated Damages. As the Corporation's sole remedy for delay, the Developer agrees to forfeit and pay to the Corporation the sum of \$45,000 per day as liquidated damages, and not as a penalty ("Liquidated Damages"), for each calendar day that Substantial Completion of the Phase II Project is delayed beyond the Developer Obligation Date, as that date may be adjusted pursuant to the terms of the Development Agreement. The Corporation may deduct such sum from any payments due to or to become due to the Developer. See APPENDIX G – "DEVELOPMENT AGREEMENT" hereto. Developer will have a claim for (and be able to deduct from amounts owing the Construction Manager or otherwise collect from the Construction Manager) the actual damages that the Developer suffers as a result of the Construction Manager's failure to achieve Substantial Completion as provided in the CMAR Contract, including Liquidated Damages. Pursuant to the Facility Lease, the Corporation will assign and transfer to the Authority all right, title, and interest in, to, and under any payments received pursuant to the Liquidated Damages provisions of the Development Agreement for deposit in the Revenue Fund.

Payment and Performance Bonds. Under the CMAR Contract, the Developer will require the Construction Manager to furnish a payment bond for 100% of the amount of the construction portion of the Guaranteed Maximum Construction Price, in accordance with Civil Code Section 9554, and a performance bond for 100% of the amount of the construction portion of the Guaranteed Maximum Construction Price, guaranteeing the faithful performance of the CMAR Contract.

Environmental Review. A Geotechnical Exploration Report, Orange County Building 14, dated July 30, 2018, was prepared by Leighton Consulting, Inc. and a Phase I Environmental Site Assessment and Subsurface Baseline Screening Report, Building 14, dated July 27, 2018, was Prepared by Leighton Consulting Inc. Various other reports were prepared in connection with the environment review for the Phase II Project. No report recommended significant mitigation measures in connection with the Phase II Project that would potentially delay construction or impair occupancy by the County. No hazardous substances that would impair the Phase II Project have been identified on the site. Further, the final certified Environmental Impact Report, dated April 25, 2017, together with Addendum No. 1, prepared by PlaceWorks (the "Certified EIR") identified no environmental impacts that would impair the construction of the Phase II Project or occupancy by the County following substantial completion of the Phase II Project.

Insurance During Construction. During construction of the Phase II Project, the Developer will be required to procure and maintain, at a minimum, for the duration of the Development Agreement the insurance coverages set forth in Exhibit G to the Development Agreement. See APPENDIX G – “DEVELOPMENT AGREEMENT” hereto.

Insurance Following Construction. Following delivery of the Certificate of Substantial Completion pursuant to the Facility Lease, the Corporation or the County will maintain the insurance coverages described in the Facility Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Insurance” herein.

Assignment of Documents on Event of Default. Upon written notice from the Trustee to the Developer of the occurrence of an Event of Default under the Indenture, the Developer will assign the Development Agreement, the Architect’s Agreement and the CMAR Contract, together with such other Construction Contracts as the Trustee may request, to Trustee for such time as the Event of Default in the sole judgment of the Trustee remains uncured.

RISK FACTORS

Purchase of the Bonds will constitute an investment subject to certain risks, including the risk of nonpayment of principal and interest. Before purchasing any of the Bonds, prospective investors should carefully consider, among other things, the risk factors described below. However, the following is not meant to be an exhaustive listing of all the risks associated with the purchase of the Bonds. Moreover, the order of presentation of the risk factors does not necessarily reflect the order of their importance.

Construction and Completion Risk

The Phase II Project may be subject to Unavoidable Delays for a variety of reasons. “Unavoidable Delays” under the Development Agreement mean any delay in the performance by Developer or the Construction Manager of its obligations with respect to construction of the Phase II Project caused by strikes or labor disputes (other than those caused by Developer’s acts, omissions or failure to negotiate in good faith), acts of God, unavoidable casualties, adverse weather conditions which prevent or delay Critical Path construction activities as and when scheduled by the Contractors, acts of terrorists, delays by an agency having jurisdiction over the Phase II Project (including, but not limited to, unanticipated delays in providing inspections or approvals by such agency), delays caused by the County which is not intended to include any period of time provided in the Facility Lease, the Project Schedule, or the Development Agreement for the County to review and respond to any submission, governmental embargo restrictions, Differing Site Conditions not reasonably identified by the Developer prior to the date of the Development Agreement in the exercise of its commercially reasonable due diligence (which the parties have agreed that the Developer’s due diligence was reasonable), or other causes beyond the reasonable control of the Developer or the Construction Manager, which, after the exercise of due diligence to mitigate the effects thereof, delay construction of the Phase II Project. Unavoidable Delays will entitle the Developer and the Construction Manager to an extension of the Developer Obligation Date, but will in no way entitle the Developer to additional compensation. See APPENDIX G – “DEVELOPMENT AGREEMENT” hereto. Pursuant to the Development Agreement, the Developer will procure and maintain, or will direct the Construction Manager to procure and maintain, for the duration of the Development Agreement, builder’s risk insurance, which will provide funds for reconstruction costs and the payment of Base Rental Payments under the Facility Lease during any period of reconstruction required by an insured peril. The Construction Manager is required to obtain payment and performance bonds to insure its performance under the CMAR Contract. Interest on the Bonds is expected to be paid from capitalized interest amounts prior to the delivery of a Certificate of Substantial Completion pursuant to the Development Agreement and the Loan Agreement.

Abatement

In the event of the loss of, damage to or destruction or condemnation of, or title defect with respect to the Leased Property that causes substantial interference with the use by the County of the Leased Property or any portion thereof, the County's obligation to make the Base Rental Payments due under the Facility Lease will be abated and, notwithstanding: (i) the provisions of the Facility Lease specifying the extent of such abatement and (ii) rental interruption insurance covering loss of use of the Leased Property in an amount adequate to cover 24 months of Base Rental Payments, the resulting Base Rental Payments (and such other funds) may not be sufficient to pay all of the remaining principal and interest due with respect to the Bonds. A delay in completion of the Phase II Project could result in an event of abatement under the Facility Lease. No reserve fund or account is established for the Bonds under the Indenture.

Substitution or Removal of Leased Property

Pursuant to the Facility Lease, the County will have, so long as the Facility Lease is in effect, the option, but not the obligation, at any time and from time to time, to substitute other real property and/or improvements for any portion of the Leased Property under the Facility Lease or remove any identifiable real property and/or improvements constituting the Leased Property provided that the County satisfies certain requirements set forth in the Facility Lease. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Substitution or Removal of Leased Property" herein.

Limited Obligation

The Bonds do not constitute a debt or liability of the State, the County or of any political subdivision thereof, other than the Authority, but shall be payable solely from the funds provided therefor in the Indenture. The Authority shall not be obligated to pay the principal of the Bonds, or the redemption premium or interest thereon, except from the funds provided therefor under the Indenture and neither the faith and credit nor the taxing power of the Authority, the State or of any political subdivision thereof, including the County, is pledged to the payment of the principal of or the redemption premium or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof, including the County, to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

Risk of Uninsured Loss

The County covenants under the Facility Lease to maintain certain insurance policies on the Leased Property. These insurance policies do not cover all types of risk. For example, the County is not required to maintain earthquake insurance with respect to the Phase II Project, unless in its discretion the County determines such insurance to be available at a commercially reasonable price. In the case of a circumstance not covered by insurance, an abatement of Base Rental Payments could occur and could continue indefinitely. In cases where the casualty is covered by insurance, there can be no assurance that the County's insurance carriers will in all events be able or willing to make payments under their respective policies should a claim be made. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Leased Property will be sufficient to repair or replace the Leased Property or to redeem the Bonds.

No Limitation on Incurring Additional Obligations

Neither the Facility Lease nor the Indenture contains any limitations on the ability of the County to enter into other obligations that may constitute additional claims against its General Fund revenues. To the extent that the County incurs additional obligations, the funds available to make Base Rental Payments may be decreased. The County is currently liable on other obligations payable from General Fund revenues.

Hazardous Substances

The activities of the County may, from time to time, result in the use of hazardous substances on the facilities owned and operated by the County, including, but not limited, to the Leased Property. Accordingly, it is possible that spills, discharges or other adverse environmental consequences of such use in the future could cause an adverse effect on the fair rental value of the Leased Property and lead, in an extreme case, to abatement, in whole or in part, of Base Rental Payments. See “– Abatement” above.

Earthquake and Seismic Conditions

The areas in and surrounding the Leased Property, like those in much of California, may be subject to unpredictable seismic activity. Seismic activity could lead to a reduction of assessed values in the County. In addition, an occurrence of severe seismic activity in the area of the Leased Property may result in substantial damage to and/or interference with the County’s right to use and occupy all or a portion of the Leased Property, leading to the abatement of Base Rental Payments. The County currently maintains \$125 million of earthquake insurance on certain County properties, subject to a deductible of 2% of the total insured value for the building with a minimum deductible of \$100,000 per insured unit. This insurance is expected to cover the Phase II Project once a Certificate of Substantial Completion is signed by the Architect. However, earthquake insurance is required to be obtained and maintained under the Facility Lease only if determined by the County in its discretion to be available at a commercially reasonable price. No assurance can be provided that the County will maintain any earthquake insurance for the Leased Property or any part of the Phase II Project.

The County relies on a combination of insurance and general reserves as well as the expectation that some disaster relief funds will be available from the Federal Emergency Management Agency (“FEMA”) to address any resulting damage from seismic activity. There is no assurance that, in the event of a significant seismic event FEMA assistance and other sources would be available or sufficient for the repair or replacement of the Leased Property.

Limited Recourse on Default

If the County defaults on its obligations to make Base Rental Payments under the Facility Lease with respect to the Leased Property or any portion thereof, the Trustee may have limited ability to re-let the Leased Property or portions of the Leased Property to provide a source of payments sufficient to make Base Rental Payments in amounts sufficient to pay the principal of and interest on the Bonds. Further, no assurance can be given that the Trustee will be able to re-let the Leased Property or portions thereof so as to provide Base Rental sufficient to pay principal and interest on the Bonds in a timely manner. **In the event of a default, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Facility Lease.** The County will only be liable for Base Rental Payments on an annual basis under the Facility Lease, and the Trustee would be required to seek a separate judgment each year for that year’s defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against public entities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Indenture, the Loan Agreement, the Facility Lease or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture, the Loan Agreement and the Facility Lease are subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally. See “– Bankruptcy” below.

Bankruptcy

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture and the Facility Lease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors’ rights. The County is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the “Bankruptcy Code”). However, the County is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Bonds; and (iv) the possibility of the adoption of a plan (a “Plan”) for the adjustment of the County’s debt without the consent of the Trustee or all of the Owners of the Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is “fair and equitable” and in the best interests of creditors.

In addition, the County could either reject the Ground Lease or Facility Lease or assume the Ground Lease or Facility Lease despite any provision of the Ground Lease or Facility Lease that makes the bankruptcy or insolvency of the County an event of default thereunder. If the County rejects the Facility Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Facility Lease and the County’s obligations to make payments thereunder. The County may also be permitted to assign the Facility Lease (or the Ground Lease) to a third party, regardless of the terms of the transaction documents. If the County rejects the Ground Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection may terminate both the Ground Lease and the Facility Lease and the obligations of the County to make payments thereunder.

The Authority is a public agency and, like the County, cannot be the subject of an involuntary case under the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. If the Authority were to become a debtor under the Bankruptcy Code, the Authority

would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a Plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

In addition, in a bankruptcy of the Authority, the assignment by the Authority to the Trustee of the Ground Lease and the Facility Lease could be characterized as a pledge rather than an absolute assignment. Under such circumstances, the Authority may be able to either reject the Ground Lease or Facility Lease or assume the Ground Lease or Facility Lease despite any provision of the Ground Lease or Facility Lease that makes the bankruptcy or insolvency of the Authority an event of default thereunder. If the Authority rejects the Ground Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate both the Ground Lease and the Facility Lease and the obligations of the County to make payments thereunder. If the Authority rejects the Facility Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection may terminate the Facility Lease and the County's obligations to make payments thereunder. The Authority may also be permitted to assign the Ground Lease or Facility Lease to a third party, regardless of the terms of the transaction documents.

In December, 1994, the County filed for bankruptcy protection under Chapter 9 of the U.S. Bankruptcy Code, following certain collateral calls in connection with County investments. Legislation enacted by the State in 1995 as part of the County's recovery plan (Chapters 745, 746, 747, and 748 of the 1995 Statutes) diverted certain revenue to the County from other public agencies or from funds within the County, and dedicated such revenue to the payment of obligations arising out of the County's bankruptcy plan of adjustment. In connection with the bankruptcy plan, in 1996 the County issued certain recovery bonds, which were refunded in 2005 and matured on July 1, 2017. On November 8, 2018, the U.S. Bankruptcy Court granted the motion of the County for the Order Closing the Bankruptcy.

Loss of Tax Exemption

To maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Authority and the County will covenant to comply with each applicable requirement of Section 103 and Sections 141 and 150 of the Internal Revenue Code of 1986, as amended. The interest on the Bonds could become includable gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds as a result of acts or omissions of the Authority and/or the County in violation of this or other covenants in the Indenture and/or the Facility Lease. The Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the Base Rental payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Facility Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

STATE OF CALIFORNIA FINANCIAL INFORMATION

The State is a significant source of revenue for the County, comprising approximately 38% of the County's budgeted General Fund revenues in fiscal year 2018-19. See APPENDIX A – "THE COUNTY" hereto. A copy of the County's "Comprehensive Annual Financial Report for the Year Ended June 30, 2017" is attached hereto as APPENDIX B.

The following information concerning the State's budget for fiscal year 2018-19 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 proposed and adopted budgets may be found at the website of the State Department of Finance at <http://www.dof.ca.gov>, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office ("LAO") at <http://www.lao.ca.gov>. Many State official statements contain a summary of the current and past State budgets. In addition, the California State Association of Counties ("CSAC") Budget Action Bulletin may be found at the website http://www.counties.org/sites/main/files/file-attachments/legislatures_2018-19_budget_-_june_2018.pdf. The information referred to is prepared by the respective agency maintaining each website and not by Authority, the Corporation, the County or the Underwriter, and none of the Authority, the Corporation, the County or the Underwriter take any responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Final 2018-19 State Budget. On June 27, 2018, Governor Brown approved the final 2018-19 State Budget (the "2018-19 State Budget"), a \$201.4 billion plan (total funds) that reflects an increase in General Fund resources available to the State of \$6.672 billion over the 2018-19 proposed State budget and reflects an overall improvement in the State revenue forecast from Fiscal Year 2016-17 through Fiscal Year 2018-19. The 2018-19 State Budget projects a beginning fund balance surplus from Fiscal Year 2017-18 of \$8.483 billion, total revenues and transfers of \$133.332 billion, total expenditures of \$138.688 billion, and a year-end surplus of \$3.127 billion for the Fiscal Year ending June 30, 2019.

The 2018-19 State Budget includes funding of \$97.2 billion (\$56.1 billion General Fund and \$41.1 billion other funds) for K-12 education programs. The 2018-19 State Budget anticipates fully funding the Rainy Day Fund by June 2019 in accordance with Proposition 2 and uses surplus revenues to provide one-time funding for initiatives such as homelessness, mental health, and infrastructure projects, and pay for increased costs for programs of County interest, such as Medi-Cal, child care, In-Home Support Services ("IHSS"), and foster care reform. Altogether, the 2018-19 State Budget includes \$5 billion related to affordable housing and homelessness, across multiple State departments and programs and increases the value of welfare grants through the CalWORKS program with General Fund costs of \$90.1 million in 2018-19 and \$359.9 million annually thereafter. The 2018-19 State Budget also includes \$79 million for programs to help those in the United States illegally by funding legal services programs and assistance for young adults who signed up with the Deferred Action for Childhood Arrivals program.

Certain features of the 2018-19 State Budget affecting counties include the following:

- *Homelessness.* \$609.0 million of one-time General Funds for various programs in Fiscal Year 2018-19 to assist local governments in their immediate efforts to address homelessness.
- *No Place Like Home.* a proposal to place a measure on the November 2018 ballot to validate the No Place Like Home Program to help address the State's housing shortage and expand housing opportunities for individuals with mental illness. The measure was placed on the ballot and passed on November 6, 2018.
- *Children's Mental Health.* a repayment of \$280.5 million owed to counties as a result of costs incurred from 2004 to 2011 for three AB 3632 (SB 90) mandates associated with providing mental health services for severely emotionally disturbed children. Although the State's May Revise proposed funding for 14 outstanding mandates, the proposal was amended to exclude eleven mandates totaling \$31.7 million. The total amount of reimbursement identified for Orange County is approximately \$26 million.
- *In-Home Support Services.* an increase of \$38.0 million in one-time State General Fund expenditures in Fiscal Year 2018-19 to partially fund the shortfall in the county administration allocation.
- *Medi-Cal.* a statewide increase of \$56.6 million in Fiscal Year 2018-19 based on an adjustment to the existing funding level using the increase in the California Consumer Price Index. The increase is based on an interim methodology that will be used until a new budgeting methodology is developed for calculating base costs related to county Medi-Cal administration. The 2018-19 State Budget also assumes an increase in statewide savings of \$242.7 million in 1991-92 Realignment Program funding redirected from counties to the State in Fiscal Year 2018-19.
- *CaIWORKs.* an additional allocation of \$23.5 million in one-time State General Fund expenditures to the employment services portion of the CaIWORKs Single Allocation.
- *Voting Systems Upgrade and Replacement.* a one-time expenditure from the State General Fund of \$134.3 million to support voting systems upgrade and replacement. This funding would be made available to all 58 counties. There is a 50 percent match funding requirement.
- *Emergency Child Care Bridge Program for Foster Children.* \$31.0 million of statewide funding in Fiscal Year 2018-19 for the Emergency Child Care Bridge Program for Foster Children. This program will provide emergency child care vouchers for foster youth caregivers, access to a child care navigator, and trauma-informed care training for foster youth child care providers.

**CONSTITUTIONAL AND STATUTORY PROVISIONS
AFFECTING COUNTY REVENUES AND EXPENDITURES**

Property Tax Rate Limitations – Article XIII A

Article XIII A of the California Constitution limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. 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 have occurred after the 1975 assessment.” The full cash value may be increased at a rate not to exceed two percent per year to account for inflation. Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, 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 and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Appropriations Limitations – Article XIII B

An initiative to amend the State Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979 thereby adding Article XIII B to the State Constitution (“Article XIII B”). Under Article XIII B, the State and each local governmental entity has an annual “appropriations limit” and is not permitted to spend certain moneys that are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIII B does not affect the appropriations of moneys that are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

“Appropriations subject to limitation” are authorizations to spend “proceeds of taxes,” which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service,” but “proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on appropriations of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds.

Not included in the Article XIII B limit are appropriations for the debt service costs of bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government and appropriations for qualified capital outlay projects. The appropriations limit may also be exceeded in certain cases of emergency.

The appropriations limit for the County in each year is based on the County’s limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County’s option, either (1) the percentage change in State per capita personal income, or (2) the percentage change in the local assessment roll on nonresidential property. Either test is likely to be greater than the change in the cost of living index, which was used prior to Proposition 111.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by a County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. As originally enacted in 1979, the County’s appropriations limit was based on 1978-79 authorizations to expend proceeds of taxes and was adjusted annually to reflect changes in cost of living and population (using different definitions, which were modified by Proposition 111). Starting with Fiscal Year 1990-91, the County’s appropriations limit was recalculated by taking the actual Fiscal Year 1986-87 limit, and applying the annual adjustments as if Proposition 111 had been in effect. The County’s appropriations limit for Fiscal Year 2018-19 is \$12,288,836,159, an increase of 4.59% compared with Fiscal Year 2017-18. The estimated appropriations for Fiscal Year 2018-19 subject to the limitations total \$1,034,482,474.

Articles XIII C and XIII D of California Constitution – Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the California constitution, which contains 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 or increases in existing local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County’s General Fund, require a two-thirds vote. The voter-approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet any increased expenditure requirements.

Article XIII D contains provisions relating to how local agencies may 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. Article XIII D also contains

several provisions affecting “property-related fees” and “charges,” defined for purposes of Article XIID 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 a user fee or charge 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) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) 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. Fees for electrical and gas service are explicitly exempted from the definition of “property-related” under Article XIID. Property-related fees or charges for services other than sewer, water and refuse collection services may not 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, Proposition 218 removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge.

Proposition 218 continues to be interpreted by California courts. The State Supreme Court’s 2006 decision in *Bighorn-Desert View Water Agency* found that metered charges for consumption of water by a public agency fell within the “property-related” fees subject to Proposition 218. Fees for sewer and refuse collection could also be found to be within the definition of property-related fees. If such charges are property-related charges, rate increases would be subject to notice, hearing and majority protest, but not prior voter approval, and rates and charges could be reduced by referendum.

Proposition 1A

Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. By adding Section 25.5 to Article XIII of the State Constitution, Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature.

Proposition 1A provides, however, that the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

By amending Section 15 of Article XI of the State Constitution, Proposition 1A also provides that if the State reduces the Vehicle License Fee rate currently in effect, which is 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, by amending Section 6 of Article XIII B of the State Constitution, Proposition 1A required the State, beginning on

July 1, 2005, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Proposition 22

On November 2, 2010, voters in the State approved Proposition 22. Proposition 22, known as the “Local Taxpayer, Public Safety, and Transportation Protection Act of 2010,” eliminates or reduces the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for state-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 26

On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The County does not expect the provisions of Proposition 26 to materially and adversely affect its ability to pay Base Rental Payments when due.

Proposition 30

The passage of the Governor’s November Tax Initiative (“Proposition 30”) placed on the November 2012 ballot results in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first \$250,000 in income and on couples after their first \$500,000 in earnings. These increased tax rates will affect approximately 1 percent of California personal income tax filers and will be in effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The quarter-cent sales-tax component expired on December 31, 2016. The passage of the Tax Extension to Fund Education and Healthcare (“Proposition 55”) in November 2016 extends the income tax increase on high-income taxpayers for an additional 12 years through 2030. The LAO estimates that, as a result of Proposition 55, increased state tax revenues of about \$4 billion to \$9 billion annually from fiscal years 2019 through 2030 depending on the economy and stock market.

Future Initiatives

Article XIII A, Article XIII B and the other Propositions referenced above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other State or local 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.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("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 alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

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, the Corporation 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 amounts treated as 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.

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

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 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, the Corporation 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, the Corporation 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 Corporation, 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 Corporation, 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, the County or the Corporation 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 Corporation, the County or the Beneficial Owners to incur significant expense.

THE AUTHORITY

The Authority was formed pursuant to the JPA Act and the JPA Agreement for the purpose of exercising to powers common to the members and exercising the additional powers granted to the Authority by the JPA Act and any other applicable provisions of State law. Under the JPA Agreement, the Authority may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the JPA Act or any other applicable law.

None of the Authority, any Authority member or any person executing the Bonds is liable personally on the Bonds or subject to any personal liability or accountability by reason of their issuance. The Bonds do not constitute a debt or liability of the State, the County or of any political subdivision thereof, other than the Authority, but shall be payable solely from the funds provided therefor in the Indenture. The Authority shall not be obligated to pay the principal of the Bonds, or the redemption premium or interest thereon, except from the funds provided therefor under the Indenture and neither the faith and credit nor the taxing power of the Authority, the State or of any political subdivision thereof, including the County, is pledged to the payment of the principal of or the redemption premium or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof, including the County, to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power

The Authority will not be required to advance any moneys derived from any source other than the Payments and certain other moneys and securities held by the Trustee as provided in the Indenture, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture.

The Authority may sell and deliver obligations other than the Bonds. These obligations will be secured by instruments separate and apart from the Facility Lease, the Loan Agreement and the Indenture, and the holders of such other obligations of the Authority will have no claim on the security for the Bonds. Likewise, the Owners of the Bonds will have no claim on the security for such other obligations that may be issued by the Authority.

Neither the Authority nor its independent contractors has furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this section and the section entitled “LITIGATION – The Authority.” The Authority does not and will not in the future monitor the financial condition of the County or the Corporation or otherwise monitor payment of the Bonds or compliance with the documents relating thereto. Any commitment or obligation for continuing disclosure with respect to the Bonds or the County or the Corporation has been undertaken by the County. See “CONTINUING DISCLOSURE” herein.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information.

The County will covenant for the benefit of the holders and beneficial owners of the Bonds pursuant to a Continuing Disclosure Certificate, dated the date of delivery of the Bonds (the “Continuing Disclosure Certificate”) to provide certain financial information and operating data relating to the County (the “Annual Report”) no later than February 25 after the end of each fiscal year, commencing with the report due for the Fiscal Year ended June 30, 2018, and to provide notices of the occurrence of certain enumerated events through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (the “EMMA System”). The specific nature of the information to be contained in the Annual Report and the enumerated events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto.

During the last five years, the County failed to comply in certain respects with continuing disclosure undertakings related to outstanding bond indebtedness. The failure to comply fell into five general categories: (i) failure to provide event notices with respect to changes in the ratings of outstanding bonds, primarily related to changes in the ratings of various bond insurers insuring the bonds of the County or its related entities, which notices of rating changes were subsequently provided between 2 days and 1,344 days after the occurrence of the related event; (ii) omission of required financial and operating data required to be included in certain annual reports and late filing of annual reports with respect to a number of the bond issues, which submissions were made between 296 days to 1,027 days after the applicable deadline therefor; (iii) failure to file audited financial statements as a part of certain annual reports, which submissions were made between one day to 997 days after the deadline therefor, although copies of the County’s audited financial statements were available to investors from other sources; (iv) failure to file annual reports with respect to certain bonds after they were economically (but not legally) defeased and (v) failure to provide event notices with respect to late filings described in (ii), (iii) and (iv) above.

The County and various related entities have made additional filings to provide certain of the previously omitted information; provided, that with respect to ratings changes, notice has been provided only of the existing rating or ratings applicable to each outstanding series of bonds. Each of these filings may be accessed through EMMA.

The County has adopted policies and procedures, and has contracted with Applied Best Practices a “dba” of Fieldman, Rolapp & Associates, Inc., to maintain compliance with its continuing disclosure undertakings.

FINANCIAL STATEMENTS

The basic financial statements of the County for the Fiscal Year ended June 30, 2017, included in APPENDIX B of this Official Statement, have been audited by Macias Gini & O’Connell LLP, certified public accountants, as stated in their report therein dated December 14, 2017. The County has not requested nor obtained permission from Macias Gini & O’Connell LLP to include its report in APPENDIX B. Macias Gini & O’Connell LLP has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Macias Gini & O’Connell LLP with respect to any event subsequent to the date of its report. See APPENDIX B – “Comprehensive Annual Financial Report for the Year Ended June 30, 2017” attached hereto.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and Fitch Ratings (“Fitch”) have assigned a rating of “AA” and “AA+,” respectively, to the Bonds. Such ratings reflect only the views of S&P and Fitch and any desired explanation of the significance of such ratings should be obtained from S&P or Fitch. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance any such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely, if in the judgment of S&P or Fitch, circumstances so warrant. Any downward revision or withdrawal of a rating by S&P or Fitch may have an adverse effect on the market price of the Bonds.

NO LITIGATION

The Authority

To the knowledge of the Authority, there is no litigation pending or threatened against the Authority concerning the validity of the Bonds or any proceedings of the Authority taken with respect to the issuance thereof.

The Corporation and the County

No litigation is pending or threatened against the Corporation or the County seeking to restrain or enjoin the sale, issuance, delivery or validity of the Bonds or contesting or enjoining the execution of the Development Agreement, the Ground Lease, the Facility Lease, the Loan Agreement or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Corporation or the County taken with respect to any of the foregoing.

Other than as otherwise addressed in this Official Statement, the aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments of judgments which may result from suits and claims are not expected to materially affect the County's ability to make Base Rental Payments. See APPENDIX A – "THE COUNTY – Litigation Management" hereto.

UNDERWRITING

Citigroup Global Markets Inc. (the "Underwriter") has agreed, subject to certain customary conditions precedent to closing, to purchase the Bonds from the Authority a price equal to \$211,466,382.02, which represents the principal amount of the Bonds of \$185,705,000.00, plus an original issue premium of \$26,599,282.75, and less an underwriting discount of \$837,900.73. The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

The Underwriter has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, the Underwriter may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, the Underwriter will compensate Fidelity for its selling efforts.

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 opinion of Bond Counsel is attached as Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed on for the Corporation by Orrick, Herrington & Sutcliffe LLP, for the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, for the County by County Counsel and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. Compensation paid to Bond Counsel and Underwriter's Counsel is contingent on the successful issuance of the Bonds.

MUNICIPAL ADVISOR

KNN Public Finance, LLC has served as municipal advisor (the "Municipal Advisor") to the County in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement with respect to accuracy and completeness of disclosure of such information. The Municipal Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

ADDITIONAL INFORMATION

The summaries and references contained herein with respect to the Indenture, the Loan Agreement, the Facility Lease, the Bonds, the statutes, agreements and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds are qualified in their entirety by reference to the forms thereof. Copies of the documents referenced in this paragraph are available for inspection during the period of initial offering on the Bonds at the offices of the Municipal Advisor.

The execution of this Official Statement by the undersigned Board Member of the Corporation has been duly authorized by the Corporation.

CAPITAL FACILITIES DEVELOPMENT CORPORATION

By:



Board Member

APPENDIX A

THE COUNTY

General

The County of Orange (“County”) is bordered on the north by Los Angeles and San Bernardino Counties, on the east by Riverside County, on the southeast by San Diego County, and on the west and southwest by the Pacific Ocean. The County encompasses 789 square miles, has a population of over 3 million, and approximately 42 miles of ocean shoreline provide beaches, marinas, and other recreational areas for use by residents and visitors.

County Government

The County is a charter county divided into five supervisorial districts on the basis of population. The County is governed by an elected five-member Board of Supervisors (the “Board of Supervisors”) with each Supervisor serving a four-year term. A Supervisor cannot serve more than two consecutive terms, however, there is no limitation on the total number of terms. The Chairman and Vice Chairman positions are elected annually by and from the members of the Board of Supervisors.

The County’s organizational structure consists of six Elected Officers, seven positions appointed by and reporting to the Board of Supervisors, five Officers appointed by and reporting to the County Executive Officer (“CEO”) and ten department heads selected by the Board of Supervisors and reporting to the Chief Operating Officer. The Elected Officers are elected by a countywide vote to four-year terms: the Assessor, Auditor-Controller, Clerk-Recorder, District Attorney-Public Administrator, Sheriff-Coroner, and the Treasurer-Tax Collector (the “Treasurer”). The positions appointed by and reporting to the Board of Supervisors are the Clerk of the Board, County Counsel, Performance Audit, Executive Director of the Office of Independent Review, CEO, Executive Director of the Office of Campaign Finance and Ethics Commission, and Internal Audit Director. The Board of Supervisors appoint all department heads including the Chief Probation Officer. The Presiding Judge of the Orange County Superior Court must concur with the appointment of the Chief Probation Officer. The positions appointed by and reporting to the CEO are the Human Resources Officer, Chief Information Officer, Chief Financial Officer (“CFO”), Chief Real Estate Officer, and Chief Operating Officer. The remaining ten positions are the Registrar of Voters and department heads within the infrastructure, public services, and community services areas.

For Fiscal Year 2018-19, the Board of Supervisors eliminated the positions in the Office of the Performance Audit. The Board of Supervisors maintained the budget appropriations for the Office of the Performance Audit, however performance audit services will be performed under contracts with professional consultants as needed.

County Services

The County provides a wide range of services to its residents, including police, medical and health services, senior citizen assistance, library services, airport service, roads, solid waste management, harbors, beaches and parks, lifeguard services, and a variety of public assistance programs.

California counties administer numerous health and social service programs as the administrative agent of the State and pursuant to State law. Many of these programs have been either wholly or partially funded with State and federal funds. 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. The County is also responsible for all indigent medical care in the County pursuant to State law. The County does not operate its own hospital, but contracts for such services with private facilities. Certain municipal services are provided by the County to unincorporated communities and, on a contract basis, to some of the 34 incorporated cities within its boundaries. This arrangement is designed to allow cities to contract with the County for municipal services without incurring the cost of creating numerous city departments and facilities. Under the plan, the County provides any or all services

to a city at the same level as provided in the unincorporated areas, or at any higher level for which the city may contract. Services are generally provided at cost.

There are two special districts, separate legal entities from the County, which provide services to County residents: the Orange County Flood Control District and the Orange County Housing Authority. The Board of Supervisors, sitting as each district’s legislative body, governs these districts.

Regional fire protection services are provided by the Orange County Fire Authority, a joint powers authority with its own Board of Directors.

County Employment

As of July 2, 2018, the number of permanent filled employee positions of the County was 16,368. The following table sets forth the total number of County employees since 2010:

TABLE A-1

**COUNTY OF ORANGE
Employment Positions⁽¹⁾**

2010	16,239
2011	15,965
2012	15,771
2013	15,852
2014	16,108
2015	16,144
2016	16,341
2017	16,365
2018.....	16,368

⁽¹⁾ Employment Positions represent the number of filled positions at fiscal year-end.

Source: County of Orange, County Budget Office.

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Most County employees are represented by one of 17 bargaining units within eight labor organizations, the principal labor organization being the Orange County Employees Association (“OCEA”), which consists of the Community Services, County General, Office Services, Sheriff Special Officers, Supervisory Management, and Health Care Professional Units. Represented County employees and their appropriate bargaining agents are shown in the following table.

TABLE A-2

**COUNTY OF ORANGE
Employee Bargaining Representation
and Number of Positions⁽¹⁾**

Bargaining Agents	Number of Positions	Contract Term
Orange County Employees Association	11,050	June 23, 2017 to June 20, 2019
Association of Orange County Deputy Sheriffs (AOCDS)	2,062	July 1, 2016 to June 30, 2019
AOCDS Probation Units	952	June 26, 2015 to June 22, 2018 ⁽²⁾
American Federation of State, County and Municipal Employees	1,546	June 24, 2016 to June 23, 2019
Orange County Managers Association	1,257	January 10, 2014 to June 20, 2019
Orange County Attorneys Association	522	May 15, 2015 to June 30, 2019
Teamsters Local 952	485	December 13, 2016 to June 20, 2019
International Union of Operating Engineers	141	June 26, 2015 to June 22, 2018 ⁽³⁾
Association of County Law Enforcement Managers	76	June 22, 2018 to June 20, 2019
Unrepresented	166	N/A

⁽¹⁾ Position data includes filled and vacant positions as of June 11, 2018.

⁽²⁾ On September 27, 2017, the Association of Orange County Deputy Sheriffs became the exclusively recognized representative for the Probation Supervisory Management and Probation Services Units under the Orange County Employee Relations Resolution. These Units were previously represented by the Orange County Employees Association. Contract negotiation is currently in process with the Probation Units to establish a new contract.

⁽³⁾ Contract negotiation currently in process. County employees in the bargaining unit currently in the process of negotiations have historically continued to work under the terms of their previous contract with no interruption.

Source: County of Orange, County Budget Office.

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COUNTY FINANCIAL INFORMATION

Financial Statements

The County's accounting policies and audited basic financial statements conform with generally accepted accounting principles for financial reporting established by the Governmental Accounting Standards Board (the "GASB").

The basic financial statements include both the government-wide and fund financial statements. The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. The government-wide financial statements report long-term liabilities and deferred outflows and inflows, including those related to pension and other retirement benefits, and capital assets, including intangible assets. Depreciation expense and accumulated depreciation are included in the government-wide financial statements for equipment, buildings, and infrastructure. Amortization expense and accumulated amortization are included in the government-wide financial statements for intangible assets. The fund financial statements for the governmental funds are prepared under the modified accrual basis of accounting and the current financial resources measurement focus with revenues being recorded when available and measurable and expenditures recorded when related fund liabilities are incurred, with all current unpaid liabilities being accrued at year end. Fund financial statements are shown separately for specific major governmental funds, and in total for all other governmental funds. Fund financial statements for proprietary funds are reported under the accrual basis of accounting and the economic resources measurement focus.

The Auditor-Controller maintains the accounting system and records of account for all County funds. A separate Internal Audit Department, which reports to the Board of Supervisors, continually monitors internal controls. Legal compliance audits of State programs are conducted by State Controller auditors.

All of the County funds can be divided into three major categories of funds: governmental, proprietary, and fiduciary. Governmental funds include most of the County's basic services and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Proprietary funds consist of two types of funds: enterprise funds (which the County uses to account for its airport, waste management operations, and compressed natural gas facility) and internal service funds (which are used to accumulate and allocate costs internally among the County's various functions, such as insurance services, transportation, publishing and information technology). Fiduciary funds are used to account for assets held on behalf of outside parties.

The major governmental funds include the following funds: the County's General Fund; Flood Control District; Other Public Protection; and Mental Health Services Act. Financial data for nonmajor governmental funds are aggregated and reported under the "Other Governmental Funds" column in the fund financial statements. The major governmental funds associated with general government activities are briefly described below:

- The General Fund accounts for resources traditionally associated with government and all other resources, which are not required legally, or by sound financial management, to be accounted for in another fund. Revenues deposited to the General Fund are primarily derived from intergovernmental revenues (many of which are for restricted purposes such as public health and public assistance), property taxes, other taxes, charges for services, and other revenues. General Fund moneys are primarily expended for functions of public protection, public ways and facilities, health and sanitation, public assistance and general government. "General Purpose Revenues" describes that portion of the General Fund over which the County has discretion as to its expenditure, consisting primarily of property taxes. For discussion of General Purpose Revenues see "County General Fund Budget" herein.

- The Flood Control District is a group of funds used to account for the planning, construction, and operation of flood control and water conservation works, such as such as dams, basins, and trunk channels, and for the retardation, conservation, and controlled discharge of storm waters. Revenues consist primarily of property taxes restricted for flood control activities and charges for services.
- The Other Public Protection Fund accounts for certain safety and law enforcement activities such as the child support program, automated fingerprint identification systems, and investigation team. Revenues consist primarily of federal grants, state grants, fines, use of money and property, and charges for services.
- The Mental Health Services Act Fund became a major fund in Fiscal Year 2015-16. The Fund accounts for the County's mental health programs for children, transition age youth, adults, older adults and families pursuant to the State of California Mental Health Services Act. Revenues are derived primarily from a one percent income tax on personal income in excess of one million levied by the State.

The following table presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net changes in fund balances for the governmental funds for the Fiscal Years ended June 30, 2014 through June 30, 2017.

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TABLE A-3

**COUNTY OF ORANGE
GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES⁽¹⁾
Fiscal Years Ended June 30, 2014 through June 30, 2017
(In Thousands)**

	2014	2015 ⁽²⁾	2016	2017
<u>REVENUES AND OTHER FINANCING SOURCES</u>				
General Fund	\$ 2,879,856	\$ 3,001,243	\$ 3,038,491	\$ 3,167,897
Roads	109,937	--	--	--
Flood Control District	169,260	163,096	128,929	151,353
Other Public Protection	49,261	66,846	63,506	79,074
Teeter Plan Notes	50,786	--	--	--
Mental Health Services Act	--	141,713	116,978	153,076
Other Governmental Funds	600,011	641,234	904,098	1,193,132
Total	<u>\$ 3,859,111</u>	<u>\$ 4,014,132</u>	<u>\$ 4,252,002</u>	<u>\$ 4,744,532</u>
<u>EXPENDITURES AND OTHER FINANCING USES</u>				
General Fund	\$ 2,808,016	\$ 2,853,121	\$ 2,975,161	\$ 3,144,843
Roads	107,694	--	--	--
Flood Control District	154,993	121,287	116,206	144,469
Other Public Protection	48,203	66,747	63,656	81,587
Teeter Plan Notes	43,959	--	--	--
Mental Health Services Act	--	104,115	115,244	138,075
Other Governmental Funds	615,209	649,795	810,900	1,014,615
Total	<u>\$ 3,778,074</u>	<u>\$ 3,795,065</u>	<u>\$ 4,081,167</u>	<u>\$ 4,523,589</u>
<u>NET CHANGES IN FUND BALANCES</u>				
General Fund	\$ 71,840	\$ 148,122	\$ 63,330	\$ 23,054
Roads	2,243	--	--	--
Flood Control District	14,267	41,809	12,723	6,884
Other Public Protection	1,058	99	(150)	(2,513)
Teeter Plan Notes	6,827	--	--	--
Mental Health Services Act	--	37,598	1,734	15,001
Other Governmental Funds	(15,198)	(8,561)	93,198	178,517
Total	<u>\$ 81,037</u>	<u>\$ 219,067</u>	<u>\$ 170,835</u>	<u>\$ 220,943</u>

(1) This statement is a summary statement only. For Fiscal Year 2016-17 results, see APPENDIX B – “COUNTY OF ORANGE, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017.” The complete Orange County Comprehensive Annual Financial Report as of June 30, 2017, including the Notes to the Basic Financial Statements therein, is an integral part of this Official Statement.

(2) There was a change in major governmental funds in Fiscal Year 2015-2016 in which Mental Health Services Act became identified as a major fund and Roads and Teeter Plan Notes are no longer identified as major funds. For comparative purposes, the balances shown in Fiscal Year 2014-15 reflect the change of major funds in Fiscal Year 2015-16.

Source: Orange County Comprehensive Annual Financial Reports dated June 30, 2014, June 30, 2015, June 30, 2016, and June 30, 2017.

The following table sets forth the audited General Fund Balance Sheet as of June 30, 2014 through June 30, 2017.

TABLE A-4
COUNTY OF ORANGE
GENERAL FUND BALANCE SHEET⁽¹⁾
June 30, 2014 through June 30, 2017
(In Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 425,057	\$ 441,060	\$ 419,457	\$ 531,226
Imprest Cash Funds	1,864	1,862	1,834	1,834
Restricted Cash and Investments with Trustee	1,536	9	15	1
Investments ⁽²⁾	--	118,940	221,772	67,557
Receivables				
Accounts	18,909	10,420	10,486	9,590
Taxes	11,900	7,035	10,367	5,701
Interest/Dividends	533	2,600	1,454	1,794
Deposits	492	460	562	524
Advances	30	33	30	40
Allowance for Uncollectible Receivables	(4,399)	(6,237)	(4,844)	(4,077)
Due from Other Funds	63,956	89,278	78,793	104,918
Due from Component Unit	455	201	375	339
Due from Other Governmental Agencies	350,784	353,350	353,668	330,367
Inventory of Materials and Supplies	902	867	891	838
Prepaid Costs	316,320	331,939	327,198	367,934
Advances to Other Funds	3,800	3,800	3,800	3,800
Total Assets	<u>\$ 1,192,139</u>	<u>\$ 1,355,617</u>	<u>\$ 1,425,858</u>	<u>\$ 1,422,386</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts Payable	\$ 65,154	\$ 49,300	\$ 56,689	\$ 47,903
Salaries and Employee Benefits Payable	57,182	83,350	103,724	43,688
Retainage Payable	2,044	1,395	1,495	1,750
Interest Payable	1,135	1,084	1,671	2,376
Deposits from Others	1,553	1,654	1,615	1,534
Due to Other Funds	35,780	31,311	35,954	43,725
Due to Component Unit	--	3	--	--
Due to Other Governmental Agencies	27,847	13,822	20,410	14,634
Unearned Revenue	19,410	44,410	25,450	38,668
Bonds Payable	325,405	339,625	334,275	375,540
Advances from Other Funds	3,134	2,351	1,567	784
Total Liabilities	<u>\$ 538,644</u>	<u>\$ 568,305</u>	<u>\$ 582,850</u>	<u>\$ 570,602</u>
<u>DEFERRED INFLOWS OF RESOURCES⁽³⁾</u>				
Unavailable Revenue- Intergovernmental Revenues	\$ 73,769	\$ 72,172	\$ 68,501	\$ 58,651
Unavailable Revenue- SB 90 Mandated Claims, Net	47,926	39,653	28,404	24,637
Unavailable Revenue- Property Taxes	9,485	9,078	8,878	8,364
Unavailable Revenue- Others	5,929	1,901	9,387	9,240
Total Deferred Inflows of Resources	<u>\$ 137,109</u>	<u>\$ 122,804</u>	<u>\$ 115,170</u>	<u>\$ 100,892</u>
<u>FUND BALANCES</u>				
Nonspendable ⁽⁴⁾	\$ 321,022	\$ 336,606	\$ 331,889	\$ 372,572
Restricted	42,028	31,486	49,230	39,581
Assigned	153,336	269,529	321,064	265,293
Unassigned	--	26,887	25,655	73,446
Total Fund Balances	<u>\$ 516,386</u>	<u>\$ 664,508</u>	<u>\$ 727,838</u>	<u>\$ 750,892</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,192,139</u>	<u>\$ 1,355,617</u>	<u>\$ 1,425,858</u>	<u>\$ 1,422,386</u>

(footnotes on next page.)

- (1) This Statement is a summary statement only. The complete Orange County Comprehensive Annual Financial Reports dated June 30, 2017, including the Notes to the Basic Financial Statements therein is an integral part of this statement. For Fiscal Year 2016-17 results, see APPENDIX B – “COUNTY OF ORANGE, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017.”
- (2) Non-pooled investments with the Treasurer for General Fund Tax Exempt Non AMT securities for any excess cash over the 5% reasonable working capital reserve.
- (3) GASB Statement No. 65 established new accounting and financial reporting standards that, among other things, reclassify certain items of unavailable revenue that were previously reported as liabilities as deferred inflows of resources. See Note 1 the “Notes to the County’s Basic Financial Statements Fiscal Year Ended June 30, 2017” in Appendix B of this Official Statement.
- (4) Includes an amount equal to pension obligation bonds sold to prepay the subsequent year’s pension obligations, which are reserved as nonspendable as a “prepaid cost”. Pension prepayments represent \$316 million for Fiscal Year 2014, \$332 million for Fiscal Year 2015, \$327 million for Fiscal Year 2016, and \$368 million for Fiscal Year 2017. As a result, GASB 54 presentation does not represent the County’s budgetary and financial planning allocation of fund balance. See “County General Fund Budget,” “Strategic Financial Plan” and “Reserves,” herein.

Sources: Orange County Comprehensive Annual Financial Reports dated June 30, 2014 through June 30, 2017.

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The following table presents a more detailed summary of revenues, expenditures and changes in fund balances for the General Fund for Fiscal Years 2013-14 through 2016-17.

TABLE A-5

**COUNTY OF ORANGE
COMPARISON OF STATEMENT OF GENERAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE⁽¹⁾
Fiscal Years Ended June 30
(In Thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
REVENUES				
Taxes ⁽²⁾	\$ 599,366	\$ 629,603	\$ 671,363	\$ 681,836
Licenses, Permits & Franchises	22,595	22,929	25,154	25,362
Fines, Forfeitures & Penalties	33,039	82,063	44,375	67,648
Use of Money and Property	5,260	5,272	18,318	6,733
Intergovernmental Revenues	1,593,107	1,602,817	1,626,855	1,613,969
Charges for Services	410,108	408,872	386,117	442,591
Other Revenues	13,124	15,601	18,648	17,790
TOTAL REVENUES	<u>\$ 2,676,599</u>	<u>\$ 2,767,157</u>	<u>\$ 2,790,830</u>	<u>\$ 2,855,929</u>
EXPENDITURES				
General Government	\$ 140,816	\$ 177,280	\$ 176,002	\$ 195,250
Public Protection	1,082,961	1,126,878	1,182,458	1,260,068
Public Ways and Facilities	35,570	32,192	30,792	30,633
Health and Sanitation	620,256	514,371	526,216	577,050
Public Assistance	795,582	851,488	881,261	891,309
Capital Outlay	12,454	18,901	20,794	23,532
Principal Retirement	21,622	21,568	4,530	5,129
Interest	9,844	8,172	7,451	8,564
Debt Issuance Costs	200	--	--	--
TOTAL EXPENDITURES	<u>\$ 2,719,305</u>	<u>\$ 2,750,850</u>	<u>\$ 2,829,504</u>	<u>\$ 2,991,535</u>
Excess (Deficit) of Revenues Over Expenditures	\$ (42,706)	\$ 16,307	\$ (38,674)	\$ (135,606)
Other Financing Sources (Uses)				
Transfers In ⁽³⁾	203,257	234,086	247,661	311,968
Transfers Out ⁽³⁾	(88,711)	(102,271)	(145,657)	(153,308)
Total Other Fin. Sources (Uses)	<u>114,546</u>	<u>131,815</u>	<u>102,004</u>	<u>158,660</u>
Net Change in Fund Balances	<u>\$ 71,840</u>	<u>\$ 148,122</u>	<u>\$ 63,330</u>	<u>\$ 23,054</u>
Fund Balances – Beginning of Year	<u>444,546</u>	<u>516,386</u>	<u>664,508</u>	<u>727,838</u>
FUND BALANCES – End of Year	<u>\$ 516,386</u>	<u>\$ 664,508</u>	<u>\$ 727,838</u>	<u>\$ 750,892</u>

⁽¹⁾ This Statement is a summary statement only. The complete Orange County Comprehensive Annual Financial Reports dated June 30, 2017, including the Notes to the Basic Financial Statements therein is an integral part of this Official Statement. For Fiscal Year 2016-17 results, see APPENDIX B – “COUNTY OF ORANGE, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017.”

⁽²⁾ Primarily property taxes, as well as local sales and other taxes.

⁽³⁾ Interfund transfers reflect the flow of assets between funds and component units of the County. See Note 8 in the “Notes to the County’s Basic Financial Statements Fiscal Year Ended June 30, 2017” in Appendix B of this Official Statement.

Sources: Orange County Comprehensive Annual Financial Reports dated June 30, 2014 through June 30, 2017.

County General Fund Budget

Budget Process. The County’s annual budget process begins in late December. The CEO’s County Budget Office (the “Budget Office”) prepares budget policy and detailed budget instructions for County departments. County departments then prepare their budget requests and submit them to the Budget Office. The Budget Office reviews and analyzes the departments’ budget requests and makes recommendations to the CEO. The Budget Office will also, in coordination with the Auditor-Controller’s office, establish the level of non-departmental, County-wide revenues that will be available to the County. The budget is compiled, balanced, and reviewed with the CFO and CEO.

The main focus of the budget is the “Discretionary General Fund,” a component of the General Fund, which represents the County programs that are funded by General Purpose Revenue. General Purpose Revenue is revenue received in the General Fund that is not specific to a program or service, and consists primarily of property taxes. General Purpose Revenue is available to meet lease revenue and pension bond debt service requirements, match or maintain requirements in State and federal programs and can otherwise be allocated at the discretion of the Board of Supervisors. General Purpose Revenues total \$811.2 million or about 12.6% of the total Fiscal Year 2018-19 Adopted Budget as of August 8, 2018 and approximately 23.5% of the General Fund Budget. In comparison, General Purpose Revenue totaled \$794.9 million or about 11.6% of the total Fiscal Year 2017-18 Final Budget and approximately 23.2% of the General Fund Budget. The General Fund Net County Cost (“NCC”) totals \$820 million and is approximately 12.8% of the total Fiscal Year 2018-19 Adopted Budget as of August 8, 2018 and approximately 23.7% of the General Fund Budget.

The Board of Supervisors annually holds budget hearings and adopts a final budget for the County in June. The Board of Supervisors adopted a final budget for Fiscal Year 2018-19 on June 26, 2018. After budget adoption there are budget adjustments that occur throughout the fiscal year which are primarily presented in Quarterly Budget Reports to the Board of Supervisors. The adopted budget and adjustments are referred to as the Modified Budget.

Strategic Financial Plan. In 1997, the County initiated a strategic financial planning process to establish strategic priorities. The process is a management tool and provides a structure to help the County face both short-term and long-term operational decisions. The Strategic Financial Plan, which is updated annually, contains a baseline revenue and expense forecast over a five-year horizon. In addition, a ten-year horizon is used to estimate the ability of the County to fund certain strategic priorities and implementation of new initiatives, programs, or facilities. The most recent Strategic Financial Plan was released in December 2017 and was used in the development of the Fiscal Year 2018-19 Budget.

Reserves. As of August 8, 2018, the County had \$653.1 million budgetary reserves within the General Fund, which had the following balances: \$427.7 million assigned toward the reserve target (equal to two months of General Fund operating revenue or \$508.5 million); assigned for operations \$60.0 million (which includes \$55.0 million allocated for future repayment to the State of Vehicle License Fee Adjustment Amounts; see “General Fund Revenues—Vehicle License Fee Revenue Reallocation and Repayment” herein); \$30.0 million Teeter loss reserves fund excess; maintenance and construction reserve \$11.6 million; capital project reserve \$57.0 million, contingency reserve of \$65.0 million, and a imprest cash/cash difference reserve of \$1.8 million. These reserve balances, at fiscal year-end, would be included in the Basic Financial Statement for Governmental Funds in the County’s Comprehensive Annual Financial Report. The General Fund reserve balance for assigned reserve target would be reported as Nonspendable Fund Balance (see Note 4 on Table A-4 herein). The reserve balances for operations, Teeter loss reserve fund excess, maintenance and construction, capital projects, and contingencies would be reported as Assigned Fund Balance. These reserve balances are not legally restricted for any specific purpose; however, they are reserved by Board action and require a four-fifths vote to appropriate.

Certain other funds held outside the County General Fund have also been established, including program reserves in the amount of approximately \$63.1 million as of July 31, 2018 for sheriff and law enforcement, child support, social services, and the health care agency.

In addition, the County maintains an account (the “Investment Account”), originally funded with proceeds of the County’s 1994 Pension Obligation Bonds in the Orange County Employees Retirement System (“OCERS”) which is commingled with the OCERS pool for investment purposes. Pursuant to an agreement between the County and OCERS, the County may direct the expenditure of any portion of the Investment Account to offset County contributions to OCERS. The monies in the Investment Account may not be withdrawn by the County or used for expenditures other than OCERS contributions. The balance in the Investment Account as of June 30, 2018 was \$135.4 million. For recent expenditures from the Investment Account, see “Table A-18, Orange County Employee Retirement System County Contribution.”

Comparative Budgets for Fiscal Years 2015-16 through 2018-19

The following table sets forth the County’s Final General Fund Budgets (which include all budget adjustments made after budget adoption) for Fiscal Year 2015-16 through Fiscal Year 2017-18 and the Adopted Budget for Fiscal Year 2018-19.

TABLE A-6
COMPARISON OF GENERAL FUND
FINAL OR ADOPTED BUDGETS FOR FISCAL YEARS 2015-16 TO 2018-19

	2015-16 ⁽¹⁾	2016-17 ⁽¹⁾	2017-18 ⁽¹⁾	2018-19 ⁽¹⁾
	Final Budget	Final Budget	Final Budget	Adopted Budget
REQUIREMENTS:				
Public Protection	\$ 1,154,900,802	\$ 1,213,516,840	\$ 1,263,275,290	\$ 1,258,326,465
Health & Community & Social Services	1,635,346,756	1,677,616,903	1,710,518,620	1,747,526,592
Infrastructure & Environmental Resources ⁽²⁾	96,542,552	98,972,335	116,899,628	113,094,736
General Government & Services ⁽³⁾	175,633,084	175,235,341	177,290,869	168,171,413
Capital Improvements ⁽⁴⁾	58,804,388	70,473,040	71,724,289	64,003,054
Debt Service ⁽⁵⁾	58,359,689	28,915,270	8,514,959	1,542,115
Insurance, Reserves & Miscellaneous ⁽⁶⁾	41,997,963	88,233,890	74,518,200	102,386,846
Total Requirements	\$ 3,221,585,234	\$ 3,352,963,619	\$ 3,422,741,855	\$ 3,455,051,221
AVAILABLE FUNDS:				
Property Taxes ⁽⁷⁾	\$ 645,114,419	\$ 664,066,177	\$ 693,860,000	\$ 739,230,000
Sales and Other Taxes	7,642,000	7,421,000	7,952,000	8,165,000
Licenses, Permits & Franchises	24,801,856	26,191,782	26,541,617	26,397,738
Fines, Forfeitures & Penalties ⁽⁸⁾	33,973,817	63,426,590	32,651,489	34,632,714
Use of Money & Property ⁽⁹⁾	15,960,550	6,837,144	8,783,507	11,314,080
Intergovernmental Revenues ⁽¹⁰⁾	1,648,932,484	1,650,849,929	1,680,118,352	1,712,494,533
Charges for Services ⁽¹¹⁾	441,372,018	478,731,879	489,839,549	502,311,201
Miscellaneous Revenues ⁽¹²⁾	25,629,773	19,813,105	28,407,826	16,784,204
Other Financing Sources ⁽¹³⁾	345,247,026	404,386,614	444,542,184	394,911,798
Decreases to Reserves ⁽¹⁴⁾	32,911,291	31,239,399	10,045,331	8,809,953
Total Available Funds	\$ 3,221,585,234	\$ 3,352,963,619	\$ 3,422,741,855	\$ 3,455,051,221

⁽¹⁾ Final Budgets include all budget adjustments throughout the year after budget adoption. Adopted Budget was approved by the Board of Supervisors on June 26, 2018.

⁽²⁾ Fiscal Year 2017-18 budget included increase in Debt Service for Central Utility Facility Bonds and decrease in cost reimbursements from County departments for Utilities and Custodial Services, which resulted in overall increase in appropriations.

⁽³⁾ Fiscal Year 2015-16 Budget included \$6.5 million for the Countywide Accounting and Personnel System software upgrade and \$10 million in additional funding for current operations and one-time costs. Fiscal Year 2016-17 and 2017-18 included additional funding for one-time costs for Property Tax System upgrades and increase in funding for current operations.

⁽⁴⁾ Fiscal Years 2015-16, 2016-17, 2017-18, and 2018-19 include one-time additional funding for planned capital projects.

⁽⁵⁾ Fiscal Year 2016-17 budget decrease is due to the reduction in debt service payments for 2005 Lease Revenue Refunding Bonds. Fiscal Years 2017-18 and 2018-19 budget decrease is due to a reduction in waste importation revenue to pay down balances in the plan administered accounts.

⁽⁶⁾ Fiscal Years 2015-16, 2016-17, 2017-18, and 2018-19 Budgets include the AB 701 Vehicle License Fee Revenue Allocation (VLFAA) settlement payment to the State, \$15 million, \$25 million, \$50 million, and \$55 million respectively, contingency funds for mid-year adjustments, and funding for one-time capital projects.

⁽⁷⁾ Fiscal Years 2016-17, 2017-18, and 2018-19 increase is due to a recovering housing market and additional allocation of residual property taxes from the dissolution of Redevelopment Agencies.

⁽⁸⁾ Fiscal Year 2016-17 increase is due to one-time \$26 million litigation settlement with a contractor related to the development of a new property tax system.

⁽⁹⁾ Fiscal Year 2015-16 Budget included a one-time \$10.2 million in state-mandated cost reimbursements (SB90). FY 2017-18 and 2018-19 increase is due to higher interest earnings and higher cash balances.

- (10) This funding is comprised of Federal and State grants and reimbursements, matching funds and State-distributed revenues. The overall changes are due to changes in caseload and additional revenues from the State for the 2012 Realignment of various public safety, social services, and health programs. See “Fiscal Year 2012 Realignment,” below.
- (11) Increases due to an increase in billings for cost of services to cities which contract for Sheriff services, increase in correctional medical services, and charges from Health Care Agency for Mental Health Services.
- (12) Fiscal Year 17-18 includes increase in revenue from the Sheriff Court Operations of \$4.5 million.
- (13) Includes operating transfers from other funds within the County including transfers from the Teeter Program and departmental transfers from Non-General Funds for the reimbursement of program expenditures. Increase from Fiscal Year 2016-17 to 2017-18 is due to increased transfers from the Health Care Agency, Social Services Agency, Teeter Program, and OC Waste and Recycling importation program.
- (14) Governmental Accounting Standards Board pronouncement No. 54 requires all year-end fund balance available be reclassified and transferred to reserves. Although budgeted as a decrease, Fiscal Years 2015-16, 2016-17 and 2017-18 actual year-end fund balance reclassified and transferred to reserves were \$53.8, \$46.7 and \$35.1 million respectively

Source: County of Orange, County Budget Office.

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Comparative General Purpose Revenue and Net County Cost for Fiscal Years 2015-16 through 2018-19

The following table sets forth the County's Final Budgets for General Purpose Revenue and Net County Cost (which include all budget adjustments made after budget adoption) for Fiscal Year 2015-16 through Fiscal Year 2017-18 and the Adopted Budget for Fiscal Year 2018-19.

TABLE A-7

COMPARISON OF GENERAL PURPOSE REVENUE AND NET COUNTY COST FINAL OR ADOPTED BUDGETS FOR FISCAL YEARS 2015-16 TO 2018-19

	2015-16 ⁽¹⁾ Final Budget	2016-17 ⁽¹⁾ Final Budget	2017-18 ⁽¹⁾ Final Budget	2018-19 ⁽¹⁾ Adopted Budget
NET COUNTY COST:				
Public Protection ⁽²⁾	\$ 406,034,712	\$ 430,607,525	\$ 457,672,145	\$ 441,667,262
Health & Community & Social Services	125,775,607	132,332,350	123,314,050	129,428,329
Infrastructure & Environmental Resources	21,031,559	21,930,934	39,291,299	37,104,879
General Government & Services ⁽³⁾	130,244,596	118,317,744	120,987,210	116,247,148
Capital Improvements ⁽⁴⁾	30,324,060	27,326,273	16,519,934	22,933,197
Debt Service	872,229	872,229	871,929	236,347
Insurance, Reserves & Miscellaneous ⁽⁵⁾	10,869,682	36,715,927	46,291,421	72,383,004
Total Requirements	\$ 725,152,445	\$ 768,102,982	\$ 804,947,988	\$ 820,000,166
AVAILABLE FUNDS/ GENERAL PURPOSE REVENUE (GPR):				
Property Taxes	\$ 622,618,000	\$ 663,714,000	\$ 694,170,000	\$ 739,753,000
Sales and Other Taxes	7,642,000	7,421,000	7,952,000	8,165,000
Licenses, Permits & Franchises	2,758,368	2,807,635	2,657,824	2,724,255
Fines, Forfeitures & Penalties	18,571,000	19,773,000	19,083,000	21,469,000
Use of Money & Property ⁽⁶⁾	1,600,000	2,775,000	4,600,000	6,500,000
Intergovernmental Revenues	2,808,000	2,810,000	3,659,000	3,197,000
				22,395,000
Charges for Services ⁽⁷⁾	21,783,000	16,449,406	21,371,000	
Miscellaneous Revenues ⁽⁸⁾	2,486,000	1,560,000	2,521,671	1,256,000
Other Financing Sources ⁽⁹⁾	11,974,786	19,332,542	39,198,162	6,253,958
Decreases to Reserves ⁽¹⁰⁾	32,911,291	31,239,399	10,045,331	8,809,953
Total Available Funds	\$ 725,152,445	\$ 768,102,982	\$ 804,947,988	\$ 820,000,166

- (1) Final Budgets include all budget adjustments throughout the year after budget adoption. Adopted Budget was approved by the Board of Supervisors on June 26, 2018.
- (2) Fiscal Year 2016-17 Net County Cost increase for Public Safety for: (a) additional \$23 million funding to maintain the current level of service and (b) additional \$4 million funding to expand level of service for District Attorney, Sheriff-Coroner, and Public Administrator. Fiscal Year 2017-18 increase and subsequent Fiscal Year 2018-19 due to a one-time adjustment to Net County Cost for Public Safety in Fiscal Year 2017-18.
- (3) Fiscal Year 2016-17 Net County Cost decrease for General Government & Services for: (a) decrease in one-time funding for CAPS+ Upgrade by \$6.5 million, outside legal counsel services by \$3 million, and 2015 primary election services by \$4.5 million offset by increases in \$2.4 million funding to maintain the current level of service for Assessor, Auditor-Controller, Clerk of the Board, and Treasurer-Tax Collector and \$0.5 million funding to expand level of services for newly created Campaign Finance and Ethics Commission. Fiscal Year 2017-18 Net County Cost increase for additional \$0.8 million funding for Assessor, Auditor-Controller, and Clerk of the Board. Fiscal Year 2018-19 reduction in Net County Cost due to reduced general election expenses.
- (4) Fiscal Years 2016-17 and 2017-18 Net County Cost decrease due to decrease in one-time funding for capital projects. Fiscal Year 2018-19 increase due to capital projects for the Sheriff's facilities.
- (5) Fiscal Years 2015-16, 2016-17, 2017-18 and 2018-19 increase in Net County Cost is primarily from Miscellaneous Fund budget for increase in VLFAA appropriations and other one-time appropriations for capital projects.
- (6) Changes in Use of Money & Property is due to changes in interest earnings from increases of cash balances.
- (7) Fiscal Year 2016-17 decrease is due to one-time decline in Assessment and Tax Collection Fees (PTAC) revenue.
- (8) Fiscal Years 2016-17, 2017-18 and 2018-19 changes in Miscellaneous Revenues is due to increases and decreases in excess revenue distribution from Bankruptcy Plan of Adjustment.
- (9) Fiscal Years 2016-17 and FY 2017-18 increase in Other Financing Sources is due to an increase of a one-time transfer amount from the Teeter Fund and transfer of excess reserves funding from 2005 Lease Revenue Refunding Bonds. Fiscal Year 2018-19 decrease is due to lower budgeted transfer from the Teeter Fund.
- (10) The draw from reserves is primarily related to the use of prior year fund balance for one-time planned capital projects and changes approved by the Board.

Source: County of Orange, County Budget Office.

Revenue Assumptions Incorporated into the Fiscal Year 2018-19 Budget

The following additional assumptions were incorporated into the Fiscal Year 2018-19 County Budget:

- The Fiscal Year 2017-18 Local Assessed Roll of Values increased by 6.02%. The estimated Fiscal Year 2018-19 total property tax revenue reflects an overall 4.4% increase which is consistent with economists' forecasts.
- Revenue from secured property taxes is assumed to grow in Fiscal Year 2018-19 based on a projection of 4.5% growth, which is consistent with economists' forecasts.
- The intergovernmental revenue from Public Safety Sales Tax (Proposition 172) is assumed to increase by 3.5% based on State and economists' projections and trend data.
- The Statewide allocation of AB109 (2011 Public Safety Realignment) revenue is budgeted with an increase of approximately \$5.7 million (or 6.7%) combined in base and growth revenue for Orange County.

General Fund Revenues

The largest single source of funding in the General Fund portion of the County Budget is intergovernmental revenue, many of which are for restricted purposes such as public health, assistance and other human services and public safety. Other revenues include shared taxes, such as the statewide sales tax for public safety. Budgeted intergovernmental revenue accounted for 51.7%, 49.7%, 49.2%, and 49.7% of all General Fund revenue sources for Fiscal Years 2015-16, 2016-17, 2017-18, and 2018-19 respectively. Approximately 38.2% of the County's Fiscal Year 2018-19 Adopted Budget total revenues are from the State. Changes in the revenues received by the State can affect the amount of funding, if any, received by the County from the State. The County cannot predict the outcome of future State budget negotiations and there are no assurances that actions taken by the State will not materially affect the financial condition of the County. The County has historically not backfilled State revenues shortfalls with discretionary revenues. See "STATE OF CALIFORNIA FINANCIAL INFORMATION" in the forepart of this Official Statement.

Ad Valorem Property Taxation

The largest source of discretionary General Fund revenues is derived from property taxes, which make up approximately 21.4% of the General Fund budget and 90% of discretionary revenues. Property taxes are levied by the County for each fiscal year on taxable real and personal property that is situated in the County based on the owner of record 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 property on which a lien on real property is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." In addition to regular secured taxes, supplemental taxes may also be levied by accelerating property reassessment when a change of ownership or completion of new construction has occurred. Supplemental tax bills representing the taxes on the changes in assessed value are prorated from the date of completion or change in ownership to the end of the fiscal year.

Secured Property Roll. Annual property taxes on the secured roll are due in two installments: November 1 and February 1 of each fiscal year. Property taxes are collected by the Treasurer in accordance with the California Revenue and Taxation Code. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty accrues with respect to any delinquent payment. If such taxes remain unpaid as of July 1 of the fiscal year for which the tax was levied, the property securing the taxes is considered tax defaulted and may only be redeemed by payment of the delinquent tax, ten percent delinquency penalty, redemption fee, collection cost, and an additional penalty of 1.5 % per calendar month beginning July 1 of the

year the property became tax defaulted. Delinquent taxes may be paid under an installment plan by paying current taxes plus all delinquent taxes over a five-year period. If *ad valorem* taxes are unpaid for a period of five years or more and an installment plan is not active, such properties may thereafter be sold by the Treasurer as provided by law unless paid in full by the day before the tax auction.

Teeter Plan. On June 29, 1993, the Board of Supervisors adopted the Teeter Plan pursuant to Sections 4701 through 4717 of the California Revenue and Taxation Code (the “Teeter Plan”). The taxing agencies in the County which participate in the Teeter Plan annually receive from the County the full amount of their share of taxes from the secured property tax roll, whether or not these taxes have been collected. The Teeter Plan provides these participating agencies with stable and timely cash flow without the collection risk, and the County receives the delinquency and redemption penalty amounts when the taxes are paid.

The County has used a combination of internal resources and external borrowing to finance its advances under the Teeter Plan. In 2013, the County issued its Teeter Plan Series B Notes (the “Teeter Notes”), which replaced a commercial paper program, for the purpose of financing its then current Teeter Plan distribution to taxing agencies participating in the Teeter Plan (the “Participating Agencies”). The Teeter Notes were purchased by Wells Fargo Bank, National Association through a direct placement pursuant to a Note Purchase and Reimbursement Agreement. In July of each year, the County issues additional Teeter Notes to fund the distribution to Participating Agencies under the Teeter Plan. On June 5, 2018, the County authorized the issuance of additional Teeter Notes in the maximum amount of \$100 million under an Amended and Restated Note Purchase and Reimbursement Agreement with Wells Fargo Bank, National Association. On July 16, 2018, the County issued \$61.1 million in Teeter Notes to fund the distribution to Participating Agencies and pay off the prior Notes outstanding. As of November 30, 2018, \$61.1 million in Notes remains outstanding. The County expects to retire portions of the Teeter Notes in December 2018 and June 2019 using delinquent base tax revenues associated with the Teeter Plan. The final maturity of the Notes is July 30, 2021.

Under the Teeter Plan, the penalties and interest associated with delinquent taxes, along with interest earnings on program cash and investment balances constitute General Purpose Revenue once the Tax Losses Reserve Fund is funded to its requirement (equal to 25% of delinquencies) and expenses of the program have been paid.

Unsecured Property Roll. Property taxes on the unsecured roll are due as of August 1 and become delinquent after August 31. A 10% penalty attaches to delinquent properties on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. The Treasurer has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the Office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder’s Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interest belonging or assessed to the delinquent taxpayer.

Allocation of Property Taxes. Property taxes are allocated to local governments pursuant to legislation implementing Article XIII A of the California Constitution. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII A of the State Constitution” in the forepart of this Official Statement. Due to legislation enacted as part of the Fiscal Year 2004-05 State Budget and effective for Fiscal Year 2004-05 and thereafter, counties, including the County, and cities received property taxes from the schools’ Educational Revenue Augmentation Fund (“ERAF”) allocation to replace local sales taxes and vehicle license fees transferred to the State. The County has historically received approximately 11% of property tax revenues collected in the County for general revenue purposes. Legislation enacted with the Fiscal Year 2009-10 State Budget Act (SB 8 X3) increased property tax revenue allocations to the County by \$35 million annually in Fiscal Year 2009-10 and Fiscal Year 2010-11 and by \$50 million annually thereafter. With the Adoption of Assembly Bill 701 (“AB 701”) on September 27, 2013, these revenues are no longer allocated to the County. For additional information regarding these revenues, see “Vehicle License Fee Revenue Reallocation and Repayment” herein.

Assessed Valuation. The Assessor assesses all property within the County except state-assessed properties (i.e., utility property, regulated railroads) which are assessed by the State Board of Equalization.

Since Fiscal Year 1981-82, property in California has been assessed at 100% of full cash value. Under Proposition 13, Article XIII A of the California Constitution, the maximum *ad valorem* tax on real property is limited to 1% of the full cash value, to be collected by counties and apportioned according to law. The full cash value may be adjusted upward annually to account for 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. When property is transferred or new construction occurs it is assessed at its cash value at the time of such transfer or new construction. Due to the changes in assessment methodology under Article XIII A of the California Constitution, the County assessment roll is no longer proportional to market value. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII A of the State Constitution” in the forepart of this Official Statement.

The following table shows a history of assessed valuations in the County since Fiscal Year 2008-09.

TABLE A-8
COUNTY OF ORANGE
DETAIL OF ASSESSED VALUATION⁽¹⁾

Fiscal Year	Secured	Unsecured	Total	% Change
2008-09	\$ 408,491,848,742	\$ 20,317,375,534	\$ 428,809,224,276	3.91%
2009-10	402,572,097,312	20,393,498,698	422,965,596,010	-1.36
2010-11	400,814,188,871	19,937,386,517	420,751,575,388	-0.52
2011-12	405,588,977,572	19,180,663,956	424,769,641,528	0.95
2012-13	414,121,659,108	18,780,614,687	432,902,273,795	1.92
2013-14	429,070,697,346	18,678,458,709	447,749,156,055	3.43
2014-15	455,733,167,806	20,570,122,070	476,303,289,876	6.38
2015-16	485,007,445,623	19,642,914,061	504,650,359,684	5.95
2016-17	511,774,616,621	19,277,541,199	531,052,157,820	5.23
2017-18	543,455,064,150	20,206,980,147	563,662,044,297	6.14
2018-19	578,490,557,698	20,410,457,844	598,901,015,542	6.25

⁽¹⁾ Figures in table include incremental value for redevelopment agencies. Property is assessed at taxable full cash value, pursuant to California Revenue and Taxation Code Section 135(a).

Sources: Orange County Office of Auditor-Controller, Assessed Valuation Reports.

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Largest Secured and Unsecured Taxpayers. Table A-9 provides a list of the twenty largest secured taxpayers in the County for Fiscal Year 2017-18. For purposes of this table, multiple properties may be consolidated into a single entry.

TABLE A-9
COUNTY OF ORANGE
TOP 20 SECURED TAXPAYERS
FISCAL YEAR 2017-18

<u>Taxpayers⁽¹⁾</u>	<u>Secured Tax Charge</u>	<u>% of Taxes⁽²⁾</u>
1. Irvine Company	\$ 94,856,224	1.47%
2. Walt Disney Parks & Resorts US	55,322,385	0.86
3. Southern California Edison Company (Edison International)	38,457,750	0.59
4. Five Points Holdings, LLC	19,541,581	0.30
5. Sempra Energy (SDG&E, So. Cal. Gas)	10,785,475	0.17
6. AT&T (Pacific Bell Telephone Company)	10,025,636	0.16
7. United Laguna Hills Mutual (Laguna Woods)	9,882,519	0.15
8. BEX Portfolio, Inc.	8,442,913	0.13
9. Blackstone Real Estate Partners Fund (Ritz-Carlton, Montage)	7,571,665	0.12
10. Belle Terra Associates, LLC	5,949,022	0.09
11. South Coast Plaza	4,683,956	0.07
12. Olen Properties Corporation	4,558,001	0.07
13. Mainplace Shoppingtown LLC	3,913,858	0.06
14. Knott's Berry Farm	3,891,187	0.06
15. B. Braun Medical, Inc.	3,866,035	0.06
16. The Mayer Corporation (Waterfront Beach Resort)	3,498,770	0.05
17. Marblehead Development Partner	3,449,820	0.05
18. KSL Capital Partners (Monarch Beach Resort)	3,195,103	0.05
19. Manulife US REIT (Hancock S-REIT Irvine Corp.)	3,147,357	0.05
20. Vestar	3,120,030	0.05
TOTAL	<u>\$ 298,159,287</u>	<u>4.61%</u>

⁽¹⁾ Taxpayers are grouped under a parent company, if identifiable.

⁽²⁾ Total Secured Taxes as of September 30, 2017 were \$6,464,862,139.

Source: Orange County Treasurer-Tax Collector.

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Table A-10 provides a list of the ten largest unsecured taxpayers in the County for Fiscal Year 2017-18.

TABLE A-10
COUNTY OF ORANGE
TOP 10 UNSECURED TAXPAYERS
FISCAL YEAR 2017-18

Taxpayers ⁽¹⁾	Unsecured Tax Charge	% of Taxes ⁽²⁾
1. Charter Communications, Inc.	\$ 3,783,915	0.93%
2. Cox Communications	2,614,215	0.65
3. Boeing Company	2,463,752	0.61
4. Broadcom Corporation	1,517,019	0.37
5. Southwest Airlines Company	1,454,917	0.36
6. Allergan	1,313,276	0.32
7. Panasonic Avionics Corporation	1,289,557	0.32
8. Jazz Semiconductor, Inc.	1,276,757	0.32
9. Applied Medical	1,274,081	0.31
10. Kimberly-Clark Worldwide, Inc.	1,209,888	0.30
TOTAL	\$ 18,197,377	4.49%

⁽¹⁾ Taxpayers are grouped under a parent company, if identifiable.

⁽²⁾ Total Unsecured Taxes as of September 30, 2017 were \$405,006,210.

Source: Orange County Treasurer-Tax Collector.

Vehicle License Fee Revenue Reallocation and Repayment

All counties in California receive property taxes in lieu of Vehicle License Fee (“VLF”) pursuant to Section 97.70 of the Revenue and Taxation Code. This system of property taxes in lieu of VLF started in 2004 when the Legislature enacted the so-called “VLF swap” pursuant to which the State took VLF revenues that were previously allocated to cities and counties through the Motor Vehicle License Fees Account (“MVLFA”) and replaced these revenues with property tax revenues that were drawn from the Educational Revenue Augmentation Fund (“ERAF”) and paid to the counties and cities through the Vehicle License Fee Adjustment Amount (“VLFAA”).

In recognition of the County’s pledge of VLF revenues to secure the repayment of certain County bankruptcy debt, the Legislature enacted Assembly Bill 2115 (“AB 2115”) in 1995. AB 2115’s provisions allocated to the County, at the time of the VLF swap beginning in the 2004-2005 fiscal year, \$54 million in VLF each year. Both the VLFAA and the amount of actual VLF received by the County under AB 2115 were adjusted to reflect growth or losses in property taxes for VLFAA and VLF receipts.

On June 30, 2011, the Governor signed Senate Bill 89 (“SB 89”), which terminated the County’s annual receipt of approximately \$49.5 million (adjusted from \$54 million) in VLF under AB 2115. The County believed the action by the State in eliminating the VLF to the County required the County’s Auditor-Controller, consistent with other counties, to recalculate the property taxes that must be allocated to the County as part of the VLFAA under Revenue & Taxation Code Section 97.70. The Auditor-Controller’s calculation of the VLFAA for Fiscal Year 2011-12 determined that the County should receive approximately \$73.5 million more in VLFAA compared to the prior year and the Auditor-Controller allocated such additional amounts to the County. On April 5, 2012, the California Department of Finance (“DOF”) and the Chancellor of the California Community Colleges filed a lawsuit against the County contending that the County incorrectly computed the amount of property taxes to be allocated to the County under Revenue and Taxation Code Section 97.70 as a part of the VLFAA. On August 30, 2013, the Orange County Superior Court issued a judgment that required the Auditor-Controller to

calculate future VLFAA without the additional \$73.5 million adjustment in VLFAA. The judgment further required the County to repay \$148.6 million (plus interest) in VLFAA previously allocated to the County under the disputed calculation method used in Fiscal Years 2011-12 and 2012-13. On September 27, 2013, Assembly Bill 701 (“AB 701”) was signed by the Governor as a legislative resolution to the dispute between the State and the County. AB 701 provides for \$53 million in annual VLFAA in lieu of the \$50 million previously provided by SB 8 X3. For additional information regarding SB 8 X3, see “General Fund Revenues - Allocation of Property Taxes” herein. AB 701 also sets forth the repayment schedule by fiscal year shown in the following table. The Board of Supervisors took action to reserve the repayment amount in the County’s strategic priority reserves. The VLFAA reserve is reported in the Basic Financial Statement for Governmental Funds in the County’s Comprehensive Annual Financial Report as a portion of the General Fund Assigned Fund Balance (Assigned to General Services: Operations). The following table provides the repayments of VLFAA made by the County. The final repayment of \$55 million will be made in June 2019.

TABLE A-11

**COUNTY OF ORANGE
REPAYMENT OF VLFAA ALLOCATION UNDER AB 701 BY FISCAL YEAR**

2014-15	2015-16	2016-17	2017-18	2018-19	Total
\$5,000,000	\$15,000,000	\$25,000,000	\$50,000,000	\$55,000,000	\$150,000,000

Source: County of Orange, County Budget Office.

Fiscal Year 2012 Realignment

The Fiscal Year 2011-12 State Budget Act included a Realignment Plan which transferred authority and funding responsibility for certain State programs to local governments including: court security, adult offender and parolees, public safety grants, mental health services, substance abuse treatment, child welfare programs, adult protective programs, and California Work Opportunity and Responsibility to Kids (CalWORKs). The realignment of these Public Safety and Health and Human Services programs went into effect July 1, 2011, with the exception of the funding for the realignment of adult offender and parolee populations (which is referred to as Assembly Bill 109 (“AB 109”), which went into effect October 1, 2011. AB 109 is funded by a dedicated portion of sales tax revenue and vehicle license fees per SB 89 and Assembly Bill 118 (“AB 118”). SB 89 provided revenue to counties for local public safety programs and AB 118 established a Local Revenue Fund 2011 for counties to receive revenues and appropriate funding for AB 109. The Schools and Local Public Safety Protection Act (“Proposition 30”) approved by voters on November 7, 2012, among other things, guarantees the ongoing revenues redirected to counties in 2011 to fully fund public safety programs transferred as part of the Realignment Plan. The realignment of these programs was expected to have a minimal financial impact on the County as long as the programs remained fully funded by the State.

The Fiscal Year 2017-18 AB 109 allocation received by the County was \$84.8 million. The Fiscal Year 2018-19 AB 109 allocation is projected to increase by \$5.7 million to be \$90.5 million based on revised information received from the California Department of Finance. For Fiscal Year 2018-19, the County estimates the AB 109 allocation will increase by \$6 million to \$91 million. This estimate is based on the State’s FY 2018-19 Budget.

Dissolution of Redevelopment Agencies

Pursuant to Assembly Bill x1 26 (“AB x1 26”) (a companion bill to the Fiscal Year 2011-12 State Budget Act), redevelopment agencies were dissolved, and any net tax increment revenues remaining after payment of redevelopment bonds debt service, other enforceable obligations and administrative costs will be distributed to cities, counties, special districts and school districts. Another companion bill, Assembly Bill x1 27 (“AB x1 27”), authorized redevelopment agencies to continue operations provided their establishing cities or counties agreed to make a specified payment to school districts and county offices of education, totaling \$1.7 billion statewide. As a result, the County Development Agency was dissolved effective February 1, 2012 and the County became the successor agency to the County Development Agency. The County is in the process of winding down the operations of the County Development Agency in accordance with the requirements of AB x1 26. The County estimates that it will receive approximately \$27.8 million in additional property tax revenue in Fiscal Year 2018-19 from the dissolution of redevelopment agencies and expects the additional revenue to continue at least at this level on an annual basis.

Sales Tax

A sales tax is imposed upon retailers for the privilege of selling tangible personal property in California. Most retail sales and leases are subject to the tax. However, exemptions have been provided for certain essentials such as food for home consumption, prescription drugs, gas delivered through main gas lines and electricity. Other exemptions provide relief for a variety of sales ranging from custom computer software to aircraft.

Currently the total state and local sales tax rate of 7.75% is imposed in the County. The breakdown of the state and local sales tax rate is as follows:

- 3.9375% imposed as a State General Fund tax;
- 0.5% dedicated to local governments (including the County) for health and social programs realignment;
- 0.5% dedicated to local governments (including the County) for public safety services (“Proposition 172 Funds”);
- 1.25% local tax imposed under the Uniform Local Sales and Use Tax Law (known as the “Bradley-Burns Act”), with 0.25% dedicated to county transportation purposes and 1% for city and county general purpose use (the County receives the 1% portion of the tax for sales that occur in unincorporated areas);
- 0.5% Optional Local Sales Tax for transportation improvements (“Measure M Sales Tax”); and
- 1.0625% to fund the Local Revenue Fund 2011 for AB 109.

Recent State Impacts to the County

Fiscal Year 2018-19 In-Home Support Services Program. Effective July 1, 2017, the State established a new county In-Home Support Services (“IHSS”) maintenance of effort (“MOE”) structure which shifted significant costs to counties. To help mitigate the impact of this change, the State dedicated \$1.1 billion in State General Funds over four years to help offset the cost. In addition, the State made changes to 1991 Realignment whereby growth revenues are to be paid to counties in the fiscal year earned as opposed to being paid up to 18 months in arrears. However, the State also temporarily redirected the public health growth funds to the social services program to help mitigate the increases in costs. With robust realignment revenues in Fiscal Year 2017-18 and projected for Fiscal Year 2018-19, the State is anticipating only slight impacts to counties in the near term. The California State Association of Counties (“CSAC”) has established a working group which includes the County of Orange to work with the new administration to address the issues and concerns. The County of Orange continues to evaluate the situation and has been proactive in controlling IHSS costs and evaluating all options to help mitigate the anticipated increase in costs.

Outstanding Long Term Debt and Lease Obligations

The County's outstanding long-term debt as of July 20, 2018 is shown in the following table.

TABLE A-12

COUNTY OF ORANGE OUTSTANDING LONG-TERM DEBT AND LEASE OBLIGATIONS

Description	Source of Repayment	Outstanding Principal Balance (July 20, 2018)	Final Maturity Date
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	General Fund	\$ 391,274	2018
County of Orange Taxable Refunding Pension Obligation Bonds, Series 1997 A ⁽¹⁾	General Fund	8,219,389	2021
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	General Fund	5,030,000	2019
County of Orange Teeter Plan Obligation Notes, Series B	Series A Taxes	61,107,000	2018
South Orange County Public Financing Authority, Central Utility Facility Lease Revenue Bonds, Series 2016	General Fund	52,515,000	2036
SUBTOTAL- GENERAL FUND OBLIGATIONS		\$ 127,262,663	
County of Orange, Airport Revenue Bonds, Series 2009A	Airport Revenues	\$ 55,760,000	2039
County of Orange, Airport Revenue Bonds, Series 2009B	Airport Revenues	90,415,000	2039
Successor Agency to the Orange County Development Agency (Neighborhood Development and Preservation Project) Tax Allocation Refunding Bonds, Issue of 2014	Redevelopment Property Tax Trust Fund	8,130,000	2022
Successor Agency to the Orange County Development Agency (Santa Ana Heights Project Area) Tax Allocation Refunding Bonds, Issue of 2014	Redevelopment Property Tax Trust Fund	12,900,000	2023
TOTAL		\$ 294,467,663	
California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program - Phase I) ⁽²⁾	General Fund	\$152,400,000	2047

⁽¹⁾ The outstanding Taxable Refunding Pension Obligation Bonds, Series 1997A were economically defeased on June 22, 2000, through the deposit with the trustee of \$175.492 million principal amount of AAA-rated debt securities issued by Fannie Mae, together with irrevocable instructions that these securities and other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature.

⁽²⁾ The lease payments for the Series 2017A Bonds will become an obligation of the County upon substantial completion of Phase I and the County has taken occupancy.

Source: County of Orange, CEO Public Finance Unit.

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The County's General Fund debt service payments (excluding the economically defeased Pension Obligation Bonds, Series 1997) for Fiscal Years 2018-19 through 2022-23 is shown in the following table.

TABLE A-13

**COUNTY OF ORANGE
GENERAL FUND DEBT SERVICE**

Description	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	\$2,600,000	\$0	\$0	\$0	\$0
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	5,281,500	0	0	0	0
County of Orange Teeter Plan Obligation Notes, Series B ⁽¹⁾	0	0	0	61,107,000	0
South Orange County Public Financing Authority, Central Utility Facility Lease Revenue Bonds, Series 2016	4,487,000	4,486,000	4,487,000	4,489,250	4,486,250
TOTAL GENERAL FUND DEBT SERVICE	\$ 12,368,500	\$ 4,486,000	\$ 4,487,000	\$ 65,596,250	\$ 4,486,250
California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program - Phase I) ⁽²⁾	\$0	\$0	\$3,095,263	\$3,393,370	\$3,392,605

⁽¹⁾ Represents scheduled debt service. Historically, the County has voluntarily retired portions of the Teeter Notes throughout the year using delinquent tax revenues associated with the Teeter Plan. In July of each year, the County has issued additional Teeter Notes to fund the distribution to Participating Agencies under the Teeter Plan. The Teeter Notes mature on July 30, 2021. For additional information, see "Teeter Plan Notes" herein.

⁽²⁾ The lease payments for the Series 2017A Bonds will become an obligation of the County upon substantial completion of Phase I and the County has taken occupancy. Debt service amount reflects projected General Fund portion of approximately 34% (based on estimated occupancy) of total debt service.

Source: County of Orange, CEO Public Finance Unit.

Short Term Debt

For the past several years, the County has issued 18-month pension obligation bonds to finance the prepayment of its contributions to its retirement system in order to secure a discount. On January 12, 2018, the County issued its Taxable Pension Obligation Bonds, 2018 Series A (the "2018 Series A Bonds") in the amount of \$375.3 million. The outstanding balance as of June 30, 2018 was \$375.3 million. The 2018 Series A Bonds will mature on April 30, 2019. The 2018 Series A Bond proceeds were combined with \$30.1 million in contributions from County departments to prepay the County's Fiscal Year 2018-19 pension obligation. The OCERS Board of Retirement approved a discount rate of 4.5% for the pension prepayment in connection with the issuance of the 2018 Series A Bonds. The discount, combined with the interest and issuance costs, resulted in a net savings of \$9.7 million to the County.

In Fiscal Year 2012-13, \$3.9 million was borrowed from the OC Waste & Recycling Department's solid waste enterprise fund for costs associated with the upgrade of various information technology projects. The amount borrowed was fully repaid over five years in equal principal installments including interest at the Treasurer commingled pool rate. The Fiscal Year 2018-19 County budget includes \$23.5 million in additional internal borrowing for the Probation Department's multi-purpose gym and Sheriff-Coroner Musick jail projects. The repayment of these projects is required over a three year period.

The County has not issued Tax and Revenue Anticipation Notes since 2011, as sufficient cash is available due to an increased General Fund reserve balance.

Capital and Operating Lease Obligations

The County is the lessee under a number of capital leases in effect with respect to real property and equipment used by the County. For additional information, see Note 12 in the Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2017 in Appendix B of this Official Statement.

Civic Center Master Plan

On April 25, 2017, the Board of Supervisors approved the County of Orange Civic Center Facilities Strategic Plan. The Facilities Strategic Plan involves the approximately 11 acre County "superblock" (bounded by Ross Street, Civic Center Drive, Broadway and Santa Ana Boulevard), as well as County satellite buildings within the vicinity of the Civic Center. Key goals of the plan are to improve the delivery of County services to the community by grouping similar and related services; to improve efficiencies through these departmental adjacencies; reduce energy costs by capitalizing on the Central Utilities Facility; and to improve space usage which are projected to result in lower long-term operating and maintenance costs for the County. To accomplish these goals, the plan anticipates the renovation of several existing facilities and the replacement of several facilities with new construction. These activities would result in a net increase of 390,000 square feet of government office uses within the Facilities Strategic Plan area. Implementation would occur in four phases over approximately 18 years. Phase I of the Facilities Strategic Plan was financed with \$152.4 million California Municipal Finance Authority Lease Revenue Bonds, Series 2017A. The Phase I project is currently in process with an expected completion date in January 2020. There are no contracts yet in place for future phases beyond Phase II. See "THE PROJECT" in the forepart of this Official Statement for Phase II.

Overlapping Debt and Debt Ratios

The County contains numerous municipalities, school districts, and special purpose districts such as water and sanitation districts, which have issued indebtedness that is repaid out of tax revenues. Set forth in the following table is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. as of June 30, 2018. The Debt Report is included for general information purposes only. Neither the County nor the underwriter makes any representations as to its completeness or accuracy. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property and other taxes.

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TABLE A-14

**COUNTY OF ORANGE
DIRECT AND OVERLAPPING DEBT
As of June 30, 2018**

2017-18 Assessed Valuation: \$563,662,044,297 (includes unitary utility valuation)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/18</u>
The Metropolitan Water District of Southern California	20.333%	\$ 12,321,798
Coast Community College District	99.999	781,326,691
North Orange County Joint Community College District	97.715	201,345,667
Rancho Santiago Community College District and School Facilities Improvement District No. 1	100.	368,129,249
Unified School Districts	0.146-100.	1,817,695,594
Anaheim Union High School District	100.	200,528,955
Fullerton Joint Union High School District	91.701	155,584,502
Huntington Beach Union High School District	100.	187,014,998
Elementary School Districts	100.	621,258,502
Irvine Ranch Water District Improvement Districts	100.	568,600,000
Moulton-Niguel Water District Improvement Districts	100.	2,830,000
Santa Margarita Water District Improvement Districts	100.	74,380,000
Cities	100.	28,030,000
Orange County Community Facilities Districts	100.	481,326,990
Other Community Facilities Districts	100.	1,970,302,288
City and Special District Special Assessment Bonds	100.	834,875,839
County 1915 Act Bonds	100.	41,815,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$8,347,366,073
 <u>OTHER DIRECT AND OVERLAPPING DEBT:</u>		
Orange County General Fund Obligations (1) (2)	100. %	\$ 210,347,000
Orange County Pension Obligation Bonds	100.	383,564,389
Orange County Office of Education Certificates of Participation	100.	13,990,000
Coast Community College District Certificates of Participation	99.999	3,284,967
Unified School District Certificates of Participation	0.146-100.	372,016,235
High School District Certificates of Participation	91.701-100.	119,854,798
Elementary School District Certificates of Participation	100.	106,498,253
City of Anaheim General Fund Obligations	100.	606,340,522
Other City General Fund Obligations	100.	433,345,008
Moulton-Niguel Water District Certificates of Participation	100.	72,265,000
TOTAL GROSS OTHER DIRECT AND OVERLAPPING DEBT		\$2,321,506,172
Less: City of Anaheim supported obligations		606,340,522
TOTAL NET OTHER DIRECT AND OVERLAPPING DEBT		\$1,715,165,650
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		
Anaheim Redevelopment Agency	100. %	\$156,455,000
Brea Redevelopment Agency	100.	135,446,668
Westminster Redevelopment Agency	100.	114,655,000
Fullerton Redevelopment Agency	100.	78,595,000
Buena Park Redevelopment Agency	100.	72,160,000
Other Redevelopment Agencies	100.	407,928,707
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$965,240,375
 GROSS COMBINED TOTAL DEBT		\$11,634,112,620 (3)
NET COMBINED TOTAL DEBT		\$11,027,772,098

- (1) Excludes Teeter Obligation Notes, see Table A-12
(2) Includes CMFA Lease Revenue Bonds, Series 2017A – Phase I of the Civic Center Master Plan
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2017-18 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt.....	1.48%
Combined Direct Debt (\$593,911,389)	0.11%
Gross Combined Total Debt.....	2.06%
Net Combined Total Debt	1.96%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$61,059,615,022):

Total Overlapping Tax Increment Debt	1.58%
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Source: California Municipal Statistics, Inc.

COUNTY RETIREMENT SYSTEM

General

The County contributes to OCERS, which was established in 1945 pursuant to the County Employees Retirement Law of 1937 (California Government Code § 31450 et seq.) (the “Retirement Law”). OCERS is an independent, defined-benefit retirement plan in which member employees of the County, Orange County Superior Court, and certain cities and special districts within the County participate. Participating entities, including the County, share proportionally in all risks and costs, including benefit costs. OCERS is governed by the Board of Retirement (the “Retirement Board”), which is independent of the Board of Supervisors, although the Board of Supervisors appoints four members of the nine-member Retirement Board. In addition, the Treasurer sits as an ex-officio member of the Retirement Board, as required by the Retirement Law. The California Constitution vests the Retirement Board with sole and exclusive responsibility over OCERS, including without limitation, the assets of OCERS, the administration of OCERS and the actuarial services provided to OCERS. Members of the Retirement Board must discharge their duties solely in the interest of and for the exclusive purposes of providing benefits to participants and their beneficiaries, minimizing employer contributions, and ensuring reasonable expenses of OCERS. The Retirement Board’s duty to OCERS participants and their beneficiaries takes precedence over any other duty. The Retirement Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS.

OCERS practice has been to determine contribution rates by conducting an actuarial valuation on an annual basis as of each December 31. The County and other participating entities begin making contributions attributable to each annual valuation eighteen months after the respective valuation date. County payments represent approximately 75% of the payments into OCERS. The Retirement Law requires the Board of Supervisors to annually make budgetary appropriations for the purpose of making required County contributions to OCERS.

OCERS provides a “defined benefit” pension to eligible members (all regular full-time employees or part-time employees scheduled to work 20 hours or more per week) upon retirement (OCERS also provides certain disability and death benefits). Benefits formulas authorized under the Retirement Law are typically adopted through labor contracts negotiated between the County and employee bargaining units. Members’ annual benefits are determined by multiplying a specified percentage of pay times years of service. The product constitutes the member’s retirement benefit. In addition, benefit formulas include an age at which the member can retire and begin to receive the full amount of his benefit. There are various benefit formulas depending on the employee’s hire date and bargaining unit. The majority of General members hired prior to January 1, 2013 are enrolled in a 2.7% at age 55 retirement formula. Due to the passage of the Public Employees’ Pension Reform Act (“PEPRA”) of 2013, most new General members hired on or after January 1, 2013 are enrolled in a 1.62% at age 65 retirement formula. The majority of Safety members hired prior to January 1, 2013 are enrolled in a 3% at age 50 retirement formula. As a result of PEPRA, new Safety members hired on or after January 1, 2013 are enrolled in a 2.7% at age 57 retirement formula.

Actuarial Valuation and Funding Methodology

OCERS’ actuarial valuations determine, as of the date of the calculation (e.g., December 31, 2017), the funding (contributions) required for the Fiscal Year commencing eighteen months from the valuation date, based substantially upon analysis of the prior year’s plan experience. OCERS uses the Entry Age Normal Actuarial Costs Method for funding. The actuary employs a series of economic and demographic assumptions including expected return on invested assets, the assumed future pay increases for current employees, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries, contributions to OCERS, inflation, and other factors. All OCERS actuarial assumptions are subject to change at the direction of the Retirement Board. See “Recent Changes to Actuarial Assumptions” below. Assumptions used in the December 31, 2017 actuarial valuation include:

Investment Rate of Return	7.00%
Inflation Rate	2.75% per annum
Cost of Living Adjustments	2.75% per annum
Real Across the Board Salary Increase	0.50%
Projected Salary Increases	4.25% to 12.25% for General Members; 4.75% to 17.25% for Safety Members based on Service

The valuation determines annual contribution requirements, which are expressed as a percentage of pay for each benefit formula. Employer contribution rates are comprised of both normal cost and an amount to amortize the outstanding balance of the unfunded actuarial accrued liability (“UAAL”). The “normal cost” represents the amount of contributions required to fund the cost associated to the current year of service, plus a cost of living factor. Member employees also pay a normal contribution, based on formulas specified in the Retirement Law. Additionally, certain bargaining agreements require employees to pay a portion of the UAAL on behalf of the County.

The UAAL represents the amount by which the actuarial accrued liability (the present value of projected future benefits earned by employees as of the respective valuation date) of OCERS exceeds the Actuarial Value of Assets. The Actuarial Value of Assets means the market value of assets exclusive of the unrecognized gains and losses from investment over the previous five years. The unrecognized return is equal to the difference between the actual return and the assumed return on a market value basis. The difference each year is “smoothed” by separately recognizing the difference in 20% increments over the subsequent five (5) years. The “smoothing” technique is intended to recognize market value gains and losses over time to reduce volatility in resulting contribution rates. The UAAL is owed to OCERS by all participating agencies, including the County, amortized over a period of years and once a UAAL is determined, in order to calculate required contributions, OCERS uses differing amortization periods for gains and losses depending upon the reason for such gain or loss.

In 2013, OCERS reset the UAAL amortization period combining and re-amortizing the entire outstanding balance of the December 31, 2012 UAAL over a single 20-year period. Any future changes in UAAL due to actuarial gains or losses or due to changes in assumptions or methods will be amortized over separate 20-year periods. Any changes in plan amendments will be amortized over separate 15-year periods and any change in UAAL due to early retirement incentive programs will be amortized over a separate period of up to 5 years.

December 31, 2017 Actuarial Valuation

OCERS’ December 31, 2017 actuarial valuation (the “2017 Valuation”) calculated UAAL as of December 31, 2017 as \$5.438 billion (County’s portion is approximately \$4.4 billion), an increase of \$607.819 million from OCERS’ December 31, 2016 valuation (the “2016 Valuation”). The primary contributing factor for the UAAL increase were changes in actuarial assumptions, actual contributions being less than expected, and other actuarial losses, offset somewhat by favorable investment return (after smoothing), lower than expected salary increases, lower than expected COLA increases, and additional UAAL payments by pool participants. The ratio of the Valuation Value of Assets (the Actuarial Value of Assets less certain non-valuation reserves) to Actuarial Accrued Liabilities in the 2017 Valuation decreased to 72.30% from 73.06% in the 2016 Valuation. The aggregate employer contribution rate has increased from 36.43% of payroll to 37.97% of payroll in the 2017 Valuation. For more information regarding the funding progress of OCERS, see table A-16 herein. The County would begin making contribution payments attributable to the 2017 Valuation on July 1, 2019, although it has been the County’s practice to prepay these contributions in January.

Significant Changes to Actuarial Assumptions

On October 16, 2017, the Retirement Board voted to reduce the assumed investment rate of return from 7.25% to 7.00%, reduce the assumed inflation rate from 3.00% to 2.75% and implementation of generational mortality tables (to acknowledge reduced rates of mortality). The estimated increase to OCERS' UAAL due to the assumption changes is \$822 million. The Retirement Board approved a three-year phase in of the cost of the UAAL impact beginning in July 2019 and the cost impact on the normal cost are reflected in the 2017 Valuation.

OCERS' rate of return on an actuarial and market basis for the last ten years is shown in the following table.

TABLE A-15

ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM INVESTMENT RETURNS

<u>Year Ended December 31</u>	<u>Actuarial Value Investment Return</u>	<u>Market Value Investment Return</u>
2008	4.23%	(20.76)%
2009	3.60	17.32
2010	5.02	10.47
2011	3.28	0.04
2012	3.49	11.92
2013	9.11	10.73
2014	7.34	4.52
2015	5.26	(0.45)
2016	6.33	8.72
2017	7.44	14.79
5-Year Average Return	7.09	7.53
10-Year Average Return	5.49	5.16

Source: Orange County Employees Retirement System Actuarial Valuation and Review December 31, 2017.

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Table A-16 shows the funding progress for OCERS: the funding ratio and the ratio of UAAL to annual payroll. OCERS's Actuarial Value of Assets recognizes each year's asset gains or losses over a five year period, one fifth per year.

TABLE A-16

**ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(Dollars in Thousands)**

Actuarial Valuation Dec. 31	Actuarial Value of Assets⁽¹⁾	Market Value of Assets	Actuarial Accrued Liability (AAL)	Total Unfunded Actuarial Accrued Liability (UAAL)⁽²⁾	Actuarial Funded Ratio⁽³⁾	Market Funded Ratio⁽⁴⁾	Projected Covered Payroll⁽⁵⁾	UAAL as a Percentage of Projected Payroll⁽⁶⁾
2008	\$7,748,380	\$6,248,558	\$10,860,715	\$3,112,335	71.34%	59.45%	\$1,569,764	198.27%
2009	8,154,687	7,464,761	11,858,578	3,703,891	68.77	64.22	1,618,491	228.85
2010	8,672,592	8,357,835	12,425,873	3,753,281	69.79	68.92	1,579,239	237.66
2011	9,064,355	8,465,368	13,522,978	4,458,623	67.03	62.60	1,619,474	275.31
2012	9,469,208	9,566,659	15,144,888	5,675,680	62.52	63.17	1,609,600	352.55
2013	10,417,125	10,679,292	15,785,042	5,367,917	65.99	67.65	1,604,496	334.55
2014	11,449,911	11,428,133	16,413,124	4,963,213	69.76	69.63	1,648,160	301.14
2015	12,228,009	11,548,440	17,050,357	4,822,348	71.72	67.73	1,633,112	295.29
2016	13,102,978	12,657,330	17,933,461	4,830,483	73.06	70.58	1,759,831	274.49
2017 ⁽⁷⁾	14,197,125	14,652,521	19,635,427	5,438,302	72.30	74.62	1,811,877	300.15

- (1) The Actuarial Value of Assets exclude assets held in the Investment Account and prepaid employer contributions. See "County General Fund Budget – Reserves" herein.
- (2) Actuarial Accrued Liability minus Actuarial Value of Assets, County's December 31, 2017 portion is approximately \$4.4 billion.
- (3) Actuarial Value of Assets divided by Actuarial Accrued Liability.
- (4) Market Value of Assets divided by Actuarial Accrued Liability.
- (5) Annual payroll against which UAAL is amortized.
- (6) UAAL divided by Covered Payroll.
- (7) Increase in UAAL in 2017 due to changes in assumptions used in the December 31, 2017 Actuarial Valuation including rate of return and inflation rate reductions and the use of generational mortality tables.

Source: OCERS Comprehensive Annual Financial Reports and actuarial valuations.

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TABLE A-17

**ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
CHANGES IN FIDUCIARY NET POSITION
(In Thousands)**

	Years Ended December 31		
	2015	2016	2017
Contributions Received ⁽¹⁾	\$ 859,750	\$ 870,318	\$ 896,642
Net Investment Income (Loss)	(12,700)	1,079,787	1,977,225
Net Securities Lending Income	1,051	1,227	1,646
Participant's Benefits	(697,661)	(739,018)	(786,498)
Withdrawals and Refunds	(11,857)	(13,643)	(13,866)
Administrative Expenses	(12,565)	(16,914)	(17,051)
Increases in Net Position Restricted for Pension and OPEB	<u>\$ 126,018</u>	<u>\$ 1,181,757</u>	<u>\$ 2,058,098</u>

⁽¹⁾ Includes employer and employee pension and retiree health care contributions to OCERS (See "Post Employment Health Care Benefits" section herein for information regarding the Retiree Medical Trust held at OCERS).

Sources: *OCERS Comprehensive Annual Financial Reports.*

Table A-18 below shows the County's required contributions and the percentage contributed for Fiscal Years 2008-09 to 2017-18.

TABLE A-18

**ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
COUNTY CONTRIBUTIONS
(Dollars in Thousands)**

Year Ended June 30	County Cash Contribution	Investment Account Contribution⁽¹⁾	Total Annual Required Contribution	Percentage Contributed
2009	\$256,531	\$36,500	\$293,031	100%
2010	279,574	11,000	290,574	100
2011	296,084	11,000	307,084	100
2012	310,736	11,000	321,736	100
2013	328,953	0	328,953	100
2014	348,597	10,000	358,597	100
2015	371,810	0	371,810	100
2016	384,133	0	384,133	100
2017	405,493	0	405,493	100
2018	433,098	0	433,098	100

⁽¹⁾ See "County General Fund Budget – Reserves" herein.

Sources: *Orange County Office of Auditor-Controller.*

The UAAL, the funded ratio, calculations of normal cost as reported by OCERS and the resulting amounts of required contributions by the County are “forward looking” information. Such “forward looking” information reflects the judgment of the Retirement Board and its actuaries as to the amount of assets which OCERS will be required to accumulate to fund its liabilities for future benefits over the lives of the currently active employees, vested terminated employees and existing retired employees. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or may be changed in the future.

For additional information, see Note 17 in the “Notes to the Basic Financial Statements Fiscal Year Ended June 30, 2017,” which appears in Appendix B of this Official Statement. Various reports for OCERS including the OCERS Comprehensive Annual Financial Report are posted from time to time on the OCERS’s website, www.ocers.org. Such reports are not incorporated as part of this Official Statement.

Post-Employment Health Care Benefits

Plan Description. The County of Orange Third Amended Retiree Medical Plan (the “Retiree Medical Plan”) is an Other Post Employment Benefit plan (“OPEB”), intended to assist career employees in maintaining health insurance coverage following retirement from County service. The Retiree Medical Plan was established by the Board of Supervisors. The Board of Supervisors is also the authority for amending the Retiree Medical Plan. The Retiree Medical Plan is not required by the Retirement Law. Eligible retired County employees receive a monthly grant (the “Grant”), which helps offset the cost of monthly County-offered health plans and/or Medicare A and/or B premiums. The Retiree Medical Plan does not create any vested right to the benefits.

In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Retiree Medical Plan and receive a monthly benefit payment from the OCERS. To qualify as a retiree as defined by the Retiree Medical Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

The monthly Grant amount is determined by a formula that multiplies a base number by the number of years of qualifying County employment up to a maximum of 25 years. The base number for calendar year 2017 is \$22.09 (absolute dollars) per year of County service, and the maximum monthly Grant is \$552.25 (absolute dollars). The amount of the Grant is netted against the monthly health plan premium and/or reimburses Medicare premiums paid by the retiree for retiree and dependent coverage with the retiree obligated to pay the remaining balance. In no case shall the Grant exceed the actual cost to a retiree for the Qualified Health Plan and Medicare premiums.

The Grant is reduced by 50% once the retiree becomes Medicare Parts A and B eligible. Retirees who were age 65 and/or Medicare Parts A and B eligible on the date the Board of Supervisors approved the restructuring of the Retiree Medical Plan for each labor agreement are not subject to the Medicare reduction. The Grant is also reduced by 7.5% for each year of age prior to age 60 and increased by 7.5% for each year of age after age 60 up to age 70 for current employees retiring after the effective date. The effective date varies by the date the Board of Supervisors approved each labor agreement. Safety employees and disability retirements are exempt from the age adjustment.

The base number for the Grant is adjusted annually based on a formula defined in the Retiree Medical Plan document with a maximum increase/decrease of 3%. Surviving dependents of a deceased employee or retiree eligible for the Grant are entitled to receive 50% of the Grant that the employee/retiree was eligible to receive.

The Retiree Medical Plan also provides a lump sum payment to terminated employees not eligible for the Grant. The qualifying hours of service for calculation of the lump sum payment is frozen and the effective date varies by labor agreement. The frozen lump sum payment is equal to 1% of the employee’s final average hourly pay (as defined in the plan) multiplied by the employee’s qualifying hours of service (as defined) since the Retiree Medical Plan’s effective date.

Employees represented by the American Federation of State, County and Municipal Employees (“AFSCME”) who retired before September 30, 2005 are not subject to the Medicare reduction or age adjustment to the Grant. The amount of the Grant for these retirees is adjusted annually with a maximum increase/decrease of 5%. AFSCME employees who were employed on or after September 30, 2005 are not eligible for the Grant or the lump sum payment. They may participate in the County-offered health plans at their own cost if they meet the minimum plan requirements.

Employees represented by the Association of Orange County Deputy Sheriffs (“AOCDS”) who were hired on or after October 12, 2007 are not eligible to participate in the Retiree Medical Plan. Service hour accruals for the Grant and lump sum calculations for employees represented by AOCDS who were hired before October 12, 2007 were frozen. A Health Reimbursement Arrangement (“HRA”) plan was established to replace the Grant for new (employed after October 12, 2007) AOCDS employees, and to supplement the frozen grants for current AOCDS employees.

Employees represented by the Association of County Law Enforcement Managers (“ACLEM”) who were hired on or after June 19, 2009 are not eligible for participation in the Retiree Medical Plan. Service hour accruals for the Grant calculations for Law Enforcement Management employees who were hired before June 19, 2009 were frozen. The qualifying hours of service for calculation of the lump sum payment for Law Enforcement Management employees were frozen as of June 23, 2006. A health reimbursement arrangement Plan was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Employees represented by the Orange County Attorneys Association (“OCAA”) hired on or after July 8, 2016 are not eligible for participation in the Retiree Medical Plan. A Defined Contribution Plan, Health Reimbursement Arrangement (HRA) was established to replace the Grant or Lump Sum for all active OCAA employees.

Effective January 1, 2008, health insurance premium rates were separated by active and retired employees except for employees represented by AOCDS. Effective July 1, 2008, retiree health insurance premium rates for retired employees enrolled in the AOCDS health plans will be 10% higher than active employees. See “*Retired Employees Association of Orange County, Inc. v. County of Orange*” herein.

Funding Policy. Prior to Fiscal Year 2007-08, the County paid Retiree Medical Plan liabilities on a “pay-as-you-go” basis from a combination of County contributions and certain excess reserves from OCERS. In order to more adequately fund benefits under the Retiree Medical Plan, on June 19, 2007, the Board of Supervisors adopted the County of Orange Retiree Medical Trust (the “115 Trust”) effective July 2, 2007. The 115 Trust is a trust under Section 115 of the Internal Revenue Code. In addition, the County and OCERS have entered into agreements for OCERS to establish an Internal Revenue Code Section 401(h) Trust (the “401(h) Trust”) and to invest monies and pay benefits from the 401(h) Trust (except for the lump sum payment). The County has deposited the full Annual Required Contribution (“ARC”) into the 401(h) Trust beginning in Fiscal Year 2007-08 and intends to contribute the full ARC in future years. The costs to administer the Trust are paid from the Trust.

The County is currently contributing 0.3% for AFSCME, 0.4% for OCAA, 5.0% for AOCDS, 8.1% for law enforcement management, 4.4% for the Probation Department safety personnel, and 3.9% of payroll for all other labor groups, which is the ARC for those groups. Additionally, effective July 10, 2015, contributions by employees represented by AOCDS and ACLEM hired before April 4, 2009 were reduced from 2.6% to 1.6% of base, while employees hired on or after April 4, 2009 were reduced from 1% to 0%.

Actuarial Methods and Assumptions. The County contracts with an outside actuarial consultant, Bartel Associates, LLC (“Bartel”), to prepare the bi-annual actuarial valuation in conformance with GASB Statements No. 43 and 45. The County received a June 30, 2017 valuation for Fiscal Years 2018-19 and 2019-20 for the Retiree Medical Plan. Among the actuarial methods and assumptions used in the 2017 valuation are:

- The entry age normal actuarial cost method.
- Closed period amortization of the June 30, 2008 UAAL over 29 years as a level percentage of payroll (20 years remaining as of June 30, 2018).
- A 7.00% long-term expected rate of return on funds held in the Trust.
- A 3.25% per annum payroll increase assumption.
- A 2.75% per annum general inflation rate assumption.
- The assumed annual increases in the monthly Grant of 5% for American Federation of State, County and Municipal Employees (“AFSCME”) employees and 3% for non-AFSCME employees. The healthcare trend (the growth in healthcare costs) was assumed to be greater than or equal to the Grant through 2021 and beyond. Therefore, healthcare trend rates have little impact on the projected benefits and UAAL due to the 3% (or 5% for AFSCME) cap on Grant annual increase.
- There are an estimated 26,494 participants in the plan of which 18,162 are employees, 31 are deferred retirees, and 8,301 are retirees.

The 2017 valuation reports a UAAL of \$406.7 million for the Retiree Medical Plan for the Fiscal Year ended June 30, 2017. This is a reduction from the \$1.4 billion UAAL reported in the 2005 valuation. The reduction in UAAL is due to the restructuring of the Retiree Medical Plan benefits, including but not limited to splitting of active employees and retirees into separate pools for premium rate setting purposes and the establishment of the 401(h) Trust to achieve a higher rate of return on assets.

TABLE A-19

**ORANGE COUNTY RETIREE MEDICAL PLAN
SCHEDULE OF FUNDING PROGRESS
(Dollars in Thousands)**

Actuarial Valuation as of June 30 ⁽¹⁾	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a=c)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)
2009	\$94,110	\$456,005	\$361,895	20.6%	\$1,267,427	28.6%
2011	116,804	528,639	411,835	22.1	1,273,636	32.3
2013	155,702	573,763	418,061	27.1	1,217,052	34.4
2015	217,556	614,500	396,944	35.4	1,188,727	33.4
2017	273,936	680,652	406,716	40.2	1,277,714	31.8

⁽¹⁾ Valuation reports are received every other year.

Source: 2009 through 2015, Orange County Comprehensive Annual Financial Reports. 2017, actuary valuation.

Annual OPEB Cost and Net OPEB Obligation/Asset. The Annual OPEB cost is the OPEB expense that the County reports in its annual financial statements. It equals the ARC with certain adjustments if the County’s actual contributions differ from the ARC in prior years. The net OPEB obligation/asset is the cumulative sum of the difference between Annual OPEB cost and the amounts actually contributed to the plan. The following table shows the calculation of the net OPEB asset for Fiscal Years 2012-13 through 2016-17.

TABLE A-20

**ORANGE COUNTY RETIREE MEDICAL PLAN
CALCULATION OF OPEB ASSET
(In Thousands)**

	2012-13	2013-14	2014-15	2015-16	2016-17
Annual Required Contribution	\$ 42,713	\$ 43,298	\$ 44,921	\$ 44,368	\$ 45,921
Interest on Net OPEB Obligation	(2,608)	(3,030)	(3,043)	(3,470)	(3,456)
Amortization of Net OPEB Obligation	2,392	2,868	2,976	3,541	3,666
Annual OPEB Cost	42,497	43,136	44,854	44,439	46,122
Contributions Made	(48,336)	(50,060)	(41,181)	(42,490)	(47,853)
Decrease/(Increase) in Net OPEB Asset	(5,839)	(6,924)	3,673	1,949	(1,731)
Net OPEB Obligation/(Asset), Beginning of year	(35,966)	(41,805)	(48,729)	(45,056)	(43,107)
Net OPEB Obligation/(Asset), End of year	\$ (41,805)	\$ (48,729)	\$ (45,056)	\$ (43,107)	\$ (44,838)

Sources: Orange County Comprehensive Annual Financial Reports dated June 30, 2013 through June 30, 2017.

Certain changes to the Retiree Medical Plan and the methodology by which a retiree health plan premiums are determined are being judicially challenged by a class action of County retirees. See “Litigation Management - *Gaylan Harris, et al. v. County of Orange*” herein.

Insurance

The County has maintained a formal risk management program since the mid 1970’s. The functions of CEO Risk Management include risk identification, avoidance, prevention, transfer, mitigation and financing programs. Risk financing is achieved through both self-insurance (risk retention) programs and the purchase of commercial insurance. Claims and litigation management also includes subrogation cost recovery activities.

Resources are budgeted in the Workers’ Compensation Internal Service Fund and the Property and Casualty Risk Internal Service Fund. These internal service funds pay program costs including losses, expenses and administration costs. The cash reserves held in these internal services funds are retained for the payment of current and future costs. Actuarial studies are performed annually to determine the funding requirements for these activities.

Commercial insurance coverage is purchased for the County’s property and for certain specialized liability exposures, including those related to airport, aircraft and watercraft operations. Additional coverages include but are not limited to earthquake, crime policies, cyber liability, notary bonds, and excess insurance for liability exposures. General and auto liability exposures are self-insured up to \$5 million. Excess liability insurance provides up to an additional \$100 million in liability coverage. Workers’ Compensation is self-insured up to \$20 million. Various risk control techniques, including employee accident prevention training and regular work-site inspections, have been established to minimize losses.

Litigation Management

The Office of County Counsel generally represents the County's interests in lawsuits involving actions of the Board of Supervisors, County employees or agents of the County. These actions include employment, environmental and land use, contractual obligations, inverse condemnation and property tax refunds. Legal matters controlled by the CEO's Office of Risk Management are assigned to a panel of lawyers and law firms selected by the Board of Supervisors following a recommendation by the Office of Risk Management. There are a number of lawsuits pending against the County which, depending on their outcome, may have financial impacts on the County. The County believes however, that the aggregate liability it might incur as a result of adverse decisions in such cases will not have a material adverse effect on the County's ability to make Base Rental Payments in amounts sufficient to pay the principal of and interest on the Bonds as described in this Official Statement.

Retired Employees Association of Orange County, Inc. v. County of Orange

In late 2006, the Board of Supervisors approved agreements with a number of employee bargaining units addressing the County's Retiree Medical program. These changes included, but were not limited to, separately pooling current employees and retirees for the purposes of health premium setting beginning in 2008, reducing the maximum annual adjustment in the program's Grant to 3% beginning in 2008, and reducing the Grant by 50% for retirees eligible for Medicare no sooner than late 2007.

On November 5, 2007, the Retired Employee's Association of Orange County ("REAOC") filed a complaint in the United States District Court for the Central District of California contesting the splitting of the pool for purposes of determining health insurance premiums.

On August 13, 2012, the District Court granted summary judgment in favor of the County. On February 13, 2014, the Ninth Circuit affirmed the District Court's decision, effective April 9, 2014, and the case was dismissed. The Ninth Circuit's ruling became final on June 30, 2014.

Gaylan Harris, et al. v. County of Orange

This case was filed as a class action on behalf of County retirees on January 22, 2009 by a retired employee. The issues and claims in *Harris* are, for the most part, similar to those raised in the *REAOC* matter described above. *Harris* includes the claims raised in *REAOC* and, in addition, seeks monetary damages for alleged lost benefits, challenges changes to the Retiree Medical Grant program, which is a monthly premium subsidy, and asserts that splitting the pool violated the age-discrimination provisions of California's Fair Employment and Housing Act.

In June 2013, the Court entered a judgment in the County's favor. Plaintiffs appealed the Court's decision to the Ninth Circuit. Oral argument was heard in February 2014. The Clerk estimated that a decision would be rendered by December 4, 2017. However, Judge Pregerson, who was on the Ninth Circuit panel, passed away in November, 2017 and a reconstituted panel issued a decision on September 5, 2018. The panel upheld the District Court's judgment dismissing the allegations of age-discrimination as well as the class-wide challenge to the County's action to de-pool its health insurance group. The matter was remanded to the District Court but only to consider contractual claims limited to the Retiree Medical Grant benefit. Plaintiffs filed a petition for rehearing to the Ninth Circuit panel which was denied on October 24, 2018.

Orange County Catholic Worker et al. v. Orange County et al.

On January 29, 2018, the Orange County Catholic Workers and seven homeless individuals ("Plaintiffs") filed a complaint in federal court against the County, and the cities of Anaheim, Costa Mesa and Orange ("Defendants"), asking the Court to enjoin Defendants from enforcing any ordinances or statutes that prevent trespassing or camping in the Santa Ana Riverbed because the Defendants failed to provide reasonable alternative

housing. On February 6, 2018, Judge David O. Carter granted the Plaintiffs' request for a temporary restraining order and commenced proceedings the next week. Judge Carter lifted the restraining order on February 20, 2018, when the parties reached an agreement that temporarily addressed the Plaintiffs' concerns.

On March 15, 2018, the City of Santa Ana filed an ex parte application for leave to intervene as a defendant in the action, which was granted by the Court. On April 26, 2018, the City of Santa Ana filed a Cross-Complaint against the County and all cities in the County, claiming that the City of Santa Ana has been disproportionately burdened by the homeless population and had incurred expenses. To date, only the County, and none of the named cities, has been officially served with the Cross-Complaint.

On July 26, 2018, the Defendants were served a First Amended Complaint ("FAC"). The FAC added a new plaintiff who seeks to represent a class of individuals who had lived in the Santa Ana Riverbed or the Santa Ana Civic Center in 2018 and allegedly had been harmed by the Defendants because of their status as homeless persons. The new plaintiff also seeks to represent a group who suffer from a serious and persistent mental illness and were removed from a named full service partnership program. Plaintiffs estimate that the members of the class, if approved by the court, will exceed 1,500 people. The FAC also alleges that the recent seasonal closure of the armories in the County has resulted in further harm to homeless persons. The FAC added additional causes of action for violations under the U.S. Constitution and federal and state housing and disability laws.

In the FAC, Plaintiffs seek monetary damages in an unspecified amount plus attorneys' fees and orders enjoining the Defendants from removing Plaintiffs from specified programs and placements without due process of law. Plaintiffs request that the Defendants be prevented from enforcing their anti-camping and loitering ordinances and be required to set up locations where Plaintiffs may access services. Plaintiffs ask for an order enjoining the issuance of all development permits in the Defendants' jurisdictions, until compliance with the Housing Accountability Act is met. It is too premature to predict what financial liability, if any, Defendants might incur in this litigation.

The parties are in settlement negotiations and the County currently has an open extension of time to respond to the FAC. The parties and cities in the County have discussed building additional homeless shelters and housing to settle the litigation. The City of Santa Ana has begun construction of a 200 bed shelter. The 13 cities from North Orange County, Anaheim and Tustin are all planning on opening shelters. The County may agree to contribute to or participate in the construction of these or other additional shelters or housing, but does not believe that the General Fund will be meaningfully impacted because the County would likely use state funds dedicated to low-income housing and mental health treatment to fund this housing and related services. If the case does not settle, the parties will engage in discovery and start preparing for trial.

Ramirez et al. v. The County of Orange

On February 7, 2018 the People's Homeless task force and seven allegedly disabled homeless individuals ("Plaintiffs") brought action in federal court claiming the County violated the United States and California Constitutions, the American with Disabilities Act and the Civil Rights Act because the Plaintiffs were removed from the Santa Ana Riverbed without reasonable alternative housing. This case has been deemed related to the *OC Catholic Worker* case. On March 26, 2018, Plaintiffs amended their complaint to include additional violations of federal and state disability and housing laws.

Plaintiffs seek monetary damages in an unspecified amount, attorney's fees, declaratory and injunctive relief. This case is also in settlement negotiations along with the *OC Catholic Worker Case*. It is too premature to predict liability at this stage. In light of the settlement negotiations, the County has an open extension to respond to the FAC. If the case does not settle, the parties will engage in discovery and start preparing for trial.

People for the Ethical Operation of Prosecutors and Law Enforcement (P.E.O.P.L.E.), et al. v. Rackauckas, et al.

On April 13, 2018, plaintiffs P.E.O.P.L.E. (a purported association of Orange County residents) and three individuals (collectively “Plaintiffs”) filed suit in state court against District Attorney Anthony J. Rackauckas and Orange County Sheriff Sandra Hutchens (“Defendants”). Plaintiffs are represented by offices of the American Civil Liberties Union (“ACLU”) and the law firm of Munger, Tolles & Olson. The Complaint arose out of two high-profile murder cases, *People v. Scott Dekraai* and *People v. Wozniak*, and alleges that the Defendants ran an illegal jailhouse informant program that caused civil rights violations under both the U.S. and California Constitutions.

Plaintiffs do not seek monetary damages, but rather, only prospective relief such as a declaratory judgment, permanent injunctions and writs of mandate; they have requested attorney fees and the appointment of a monitor, which, if Plaintiffs prevail, could result in costs to the County parties.

Heritage Fields El Toro, LLC v. County of Orange
Sacramento Superior Court Case

City of Irvine v. County of Orange
Sacramento Superior Court Case

These matters arise out of the County’s November 14, 2017 approval of the El Toro 100-Acre Parcel Development Plan Project and related EIR certification. The Development Plan is an administrative framework for a proposed mixed used development of County property within the political boundaries of the City of Irvine. In December 2017, the County was served with separate Complaints and Petitions for Writ of Mandamus from the City of Irvine (“Irvine”) and Heritage Fields El Toro, LLC (“Heritage Fields”) seeking to halt the County’s development of the property as proposed. Lowe Enterprises Real Estate Group is named as the real party in interest. Compensatory and punitive damages and attorney fees are also sought in an unspecified amount.

Both actions have been transferred to Sacramento County Superior Court, and are currently pending before Judge Allen Sumner. Both Heritage Fields and Irvine have filed Government Claims, with the latter asserting significant damages. Assessment of liability is premature, as litigation is still in early stages, the County has not commenced development, and any claim of damages is subject to proof at trial. Further, should the County decide not to pursue development, or to pursue other uses for the property, to the extent there exists potential liability for damages, that liability could be significantly reduced or eliminated.

City of Irvine v. County of Orange
Orange County Superior Court

On July 5, 2018, the City of Irvine (“Irvine”) filed and subsequently served on the County a Petition for Writ of Mandate and Complaint regarding the June 5, 2018 approval of the West Alton Parcel Development Plan project. Lowe Enterprises Real Estate Group is named as the real party in interest.

Irvine seeks a writ of mandate for CEQA violations, declaratory and injunctive relief, damages, in an unspecified amount, for breach of contract, litigation costs, and attorneys’ fees. After filing its lawsuit, the City of Irvine filed a Government Claim asserting significant damages. Assessment of liability is premature, as litigation is still in early stages, the County has not commenced development, and any claim of damages is subject to proof at trial. Further, should the County decide not to pursue development, or to pursue other uses for the property, to the extent there exists potential liability for damages, that liability could be significantly reduced or eliminated.

COUNTY INVESTMENT POLICY

The Treasurer is granted the authority to deposit and invest County and County agency funds under the Treasurer's control pursuant to California Government Code Section 27000 et seq. and Section 53600 et seq. and certain actions of the Board of Supervisors. Additionally, community college and school districts located in the County are required to deposit their moneys with the Treasurer pursuant to the California Education Code. The deposits of funds from other districts and local agencies may be invested with the Treasurer pursuant to a procedure established by California Government Code Section 53684 and other statutory provisions.

The total investment responsibility of the Treasurer as delegated by the Board of Supervisors includes: the Orange County Investment Pool (the "County Pool") that includes the Voluntary participants' funds, the Orange County Educational Investment Pool (the "Educational Pool"), the John Wayne Airport Investment Fund, and various other small non-Pooled investment funds. The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The Treasurer established three Money Market Funds: the Orange County Money Market Fund, the Orange County Educational Money Market Fund, and the John Wayne Airport Investment Fund, which all are invested in cash-equivalent securities and provide liquidity for immediate cash needs. On March 6, 2017, Standard & Poor's reaffirmed their highest rating of AAAM Principal Stability Fund Ratings for the Orange County Money Market Fund and Orange County Educational Money Market Fund. These pools are not registered with the SEC. The Treasurer also established the Extended Fund, which is for cash needs between one and five years. The County Pool is comprised of the Orange County Money Market Fund and portions of the Extended Fund. The Educational Pool is comprised of the Orange County Educational Money Market Fund and portions of the Extended Fund. The Board of Supervisors approved the 2018 Investment Policy Statement on November 14, 2017. A copy of the 2018 Investment Policy Statement ("IPS") is located at ocgov.com/ocinvestments.

The maximum maturity of any investment in the Orange County Money Market Fund and the Orange County Educational Money Market Fund is 13 months, with a maximum weighted average maturity of 60 days. The maximum maturity of any investment in the John Wayne Airport Investment Fund is 15 months, with a maximum weighted average maturity of 90 days. The maximum maturity of the Extended Fund is 5 years, with an effective duration not to exceed that of a leading 1-3 year index +25%. The investments in the pools are marked to market daily to determine the value of the pools. To further maintain safety, adherence to an investment strategy of purchasing only top-rated securities and diversification and maturities, as well as maintenance of internal controls for proper accounting and reporting, compliance, document safekeeping, collateralization, and qualified broker-dealers is required.

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TABLE A-21**AUTHORIZED INVESTMENTS**

Type of Investment	CA Gov Code % of Funds Permitted	Orange County IPS	CA Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities (GSEs)	100%	100% Total, no more than 50% in one issuer excluding securities with final maturities of 30 days or less	5 Years	5 Years	397 Days
Municipal Debt	100%	30% Total, no more than 5% in one issuer except 10% - County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% Total, no more than 5% in one issuer	5 Years	3 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% Total, no more than 5% in one issuer	5 Years	3 Years	397 Days
State of California Local Agency Investment Fund	\$65 million per account	\$65 million per pool	N/A	N/A	N/A
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%	20% Total	N/A	N/A	N/A
Investment Pools	100%	20% Total, no more than 10% in one pool	N/A	N/A	N/A
Supranationals	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days

Source: Orange County Treasurer-Tax Collector.

The IPS expressly prohibits leverage, reverse repurchase agreements, structured notes, structured investment vehicles (“SIV”), or any investment commonly considered a derivative instrument or any Money Market Mutual Funds that do not maintain a constant Net Asset Value (“NAV”). Examples of structured notes include inverse floaters, leveraged floaters, structured certificates of deposit, and equity-linked securities. This includes all floating rate, adjustable rate, or variable rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

Rating Restrictions

- All short-term debt purchased within the money market funds shall have a rating of A-1/P-1/F1 or better from any two of the Nationally Recognized Statistical Ratings Organizations (“NRSRO”) and not less than the aforementioned. Split ratings are not allowed, i.e. A-1/P-1/F2 or similar. An issuer of short-term debt must have no less than an “A” rating on long-term debt, if any.
- All long-term debt purchased within the money market funds or with remaining maturities of 397 days or less shall be rated by at least two NRSROs and have obtained no less than an “A” rating by any. All long-term debt purchased in the Extended Fund with maturities longer than 397 days shall be rated by at least two NRSROs and have obtained no less than an “AA” rating by any. If any issuer of long-term debt has a short-term rating, then it may not be less than A-1/SP-1 or P-1/MIG1 or F1 and should be rated by two NRSROs.
- Issuing Municipalities must have a short-term rating of not less than A1/P1 and a long-term rating of not less than an “A” from the NRSROs, and two NRSRO ratings of “A” or better are required unless they have a single NRSRO rating of AA-/AA3 or better.
- U.S. Government obligations as defined in Table A-21 above are exempt from the aforementioned credit ratings requirements.
- Municipal debt issued by the County of Orange is exempt from the credit rating requirements listed above.
- Supranational securities eligible for investment shall be rated “AA” or better from at least two NRSROs.
- Any issuer that has been placed on “Credit Watch-Negative” by a NRSRO will be placed on hold and current holdings reviewed for possible sale within a reasonable period of time unless the issuer has (a) an A-1+ or F1+ short term rating; or (b) at least an AA or Aa2 long-term rating and also approved in writing by the Treasurer prior to purchase. If any issuer is placed on “Credit Watch-Negative” by a NRSRO, all related entities, including parent and subsidiaries, will also be placed on hold and subject to the above requirements.

On December 19, 1995, pursuant to the Government Code, the Board of Supervisors established the Treasury Oversight Committee. The Treasurer nominates and the Board of Supervisors confirms the public members of the Treasury Oversight Committee, which is currently comprised of the CEO, the Auditor-Controller, the County Superintendent of Schools and four public members, a majority of which is required to have expertise in public finance.

Pursuant to the IPS, monthly, quarterly, and annual reports (in compliance with Government Code Sections 53607, 53646, and 27134) will be submitted to the Treasury Oversight Committee, the Pool Participants, the CEO, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, and the Board of Supervisors. These reports will contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and will be in compliance with Government Code. In accordance with GASB 31 and GASB 40, financial information is reported within the County’s Comprehensive Annual Financial Report. The annual audit report of the Treasury will be provided as required by California Government Code Section 26920-26923. In addition, an annual compliance audit is conducted as required by California Code Section 27134. Daily compliance of the investment portfolio is performed by the Compliance Unit in the Office of the Treasurer Tax Collector.

In addition to the above reports, the Auditor-Controller, at the request of the Treasury Oversight Committee, conducts quarterly compliance monitoring of the Treasurer’s investment portfolio. The purpose of the Auditor-Controller’s monitoring is to determine whether the County’s investment portfolio managed by the Treasurer is in compliance with certain provisions specified in the IPS and that all portfolio non-compliance, including technical incidents and required diversification disclosures, are properly reported in the Treasurer’s Monthly Investment report.

As of June 30, 2018, the market value of the County Pool was \$4,018,864,086. The diversification of the County Pool’s assets as of June 30, 2018 is shown in the following table.

<u>Type of Investment</u>	<u>% of County Pool</u>
U.S. Government Agencies	54.02%
U.S. Treasuries	27.24
Local Agency Investment Fund	0.80
Medium-Term Notes	8.46
Money Market Mutual Funds	2.42
Municipal Debt ⁽¹⁾	4.62
Certificates of Deposit	2.44

⁽¹⁾ Includes \$185,696,876 of County’s Taxable Pension Obligation Bonds, 2018 Series A (market value)

Source: Orange County Treasurer-Tax Collector.

The weighted average maturity of the County Pool was 350 days. The current year-to-date gross interest yield of the County Pool at June 30, 2018 is 1.28%.

Amendments to the County Investment Policy

There are proposed from time to time, the State Legislature other bills which could modify the currently authorized investments and place restrictions on the ability of public agencies, including the County, to invest in various securities. Therefore, there can be no assurances that the investments in the Pools will not vary significantly from the investments described herein or as authorized by Section 53601 of the California Government Code. There can be no assurance that State law and/or the IPS will not be amended in the future to allow for investments which are currently not permitted under such State law or the IPS, or that the objectives of the County with respect to investments will not change.

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ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Growth 2007-2016. The County is the third most populous county in the State and the sixth most populous in the nation. During the period 2008 through 2017, the population of the County increased by approximately 7.9%, compared to 8.0% for the State and 7.1% for the United States.

TABLE A-22

COUNTY OF ORANGE, STATE OF CALIFORNIA AND UNITED STATES POPULATION GROWTH

Date	County	State	United States
2008	2,957,593	36,604,337	304,093,966
2009	2,987,177	36,961,229	306,771,529
2010	3,017,116	37,327,690	309,338,421
2011	3,053,465	37,672,654	311,644,280
2012	3,085,386	38,019,006	313,993,272
2013	3,113,649	38,347,383	316,234,505
2014	3,136,750	38,701,278	318,622,525
2015	3,160,576	39,032,444	321,039,839
2016	3,177,703	39,296,476	323,405,935
2017	3,190,400	39,536,653	325,719,178

Sources: U.S. Census Bureau statistics, May 2018.

Projected Growth Through 2060. Table A-23 includes population projections for the County, the State and the United States. The County is expected to have growth rates lower than both the State of California and national levels between 2020 and 2060, 12.8%, 25.4% and 21.4% respectively.

TABLE A-23

COUNTY OF ORANGE, STATE OF CALIFORNIA AND UNITED STATES POPULATION PROJECTIONS

Year	County	State	United States
2020	3,206,012	40,639,392	332,555,000
2030	3,433,510	43,939,250	354,840,000
2040	3,558,071	46,804,202	373,121,000
2050	3,615,935	49,077,801	388,335,000
2060	3,616,576	50,975,904	403,697,000

Sources: Orange County and State Projections – California State Department of Finance, January 2018. United States Projections – Census Bureau, March 2018.

Public Schools (Elementary and Secondary)

Public instruction in the County is provided by twelve elementary school districts, three high school districts, and fourteen unified (combined elementary and high school) districts. For 2017-18, the largest district, the Capistrano Unified District, had 53,622 students enrolled. Public school enrollment for the period 2012-13 through 2017-18 is presented in Table A-24.

TABLE A-24**COUNTY OF ORANGE
PUBLIC SCHOOL ENROLLMENT**

<u>Grade Levels</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Total Enrollment K-12	501,801	500,487	497,116	493,030	490,430	485,835

Source: California Department of Education, DataQuest Reports.

Colleges and Universities

The County has a number of top-rated, college-level educational institutions, including the University of California at Irvine, the California State University at Fullerton, several private colleges, universities and law schools and four community college districts.

Employment

The following table summarizes the historical numbers of workers in the County since 2012.

TABLE A-25**COUNTY OF ORANGE
ESTIMATED WAGE AND SALARY WORKERS BY INDUSTRY***

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Agricultural	2,800	2,900	2,800	2,400	2,400	2,200
Mining & Logging	600	600	700	600	600	700
Construction	72,900	78,400	83,100	91,700	97,400	101,700
Manufacturing (Durable & Nondurable)	158,300	158,000	157,400	157,000	157,000	158,600
Trade, Transportation and Utilities	249,200	252,400	255,800	259,200	260,500	263,000
Information (Telecom & Publishing)	24,300	25,000	24,500	25,500	26,400	27,300
Finance, Insurance & Real Estate	108,300	113,100	113,600	116,100	117,600	119,000
Services (Professional, Health, Ed. Etc.)	662,800	686,700	709,200	738,100	765,300	785,800
Government	147,900	148,700	152,200	156,400	159,600	160,500
Total All Industries	<u>1,427,100</u>	<u>1,465,800</u>	<u>1,499,300</u>	<u>1,547,000</u>	<u>1,586,800</u>	<u>1,618,800</u>

* Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

Source: California Employment Development Department.

Agriculture

Although representing a small percentage of the jobs in the County, agriculture remains an important sector of the County's economy. The total gross freight on board (f.o.b.) value of County agricultural products decreased by 1.4% to \$113,237,000 in 2017 relative to 2016. The f.o.b. is an indicator of the first point of sale for a farmer and includes cost of production, harvesting and preparation for market. A five-year summary of farm production in the County is provided in Table A-26.

TABLE A-26

**COUNTY OF ORANGE
GROSS VALUE OF FARM PRODUCTION**

Production Type	2013	2014	2015	2016	2017
Animal Industry	\$396,010	\$195,000	\$184,000	\$887,000	\$2,094,000
Field Products	425,653	551,000	874,000	732,000	1,187,000
Nursery	73,567,293	67,242,000	63,961,000	55,685,000	61,670,000
Orchards	40,984,835	45,473,000	40,268,000	38,344,000	33,935,000
Vegetables	21,665,539	18,792,000	20,189,000	19,147,000	14,351,000
Total	\$137,039,330	\$132,253,000	\$125,476,000	\$114,795,000	\$113,237,000

Source: Orange County Agricultural Commissioner, Annual Orange County Crop Reports.

Labor Force, Employment and Unemployment

The following table summarizes the labor force, employment, and unemployment figures over the period 2010 through 2017 for the County and the State.

TABLE A-27

**COUNTY OF ORANGE AND STATE OF CALIFORNIA
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
YEARLY AVERAGE**

Year and Area	Civilian Labor Force	Civilian Employment	Civilian Unemployment	Civilian Unemployment Rate
2010				
Orange County	1,537,200	1,387,400	149,700	9.7%
California	18,336,300	16,091,900	2,244,300	12.2
2011				
Orange County	1,546,400	1,406,400	140,000	9.1
California	18,415,100	16,258,100	2,157,000	11.7
2012				
Orange County	1,562,100	1,439,300	122,900	7.9
California	18,523,800	16,602,700	1,921,100	10.4
2013				
Orange County	1,565,300	1,462,300	103,100	6.6
California	18,625,000	16,958,400	1,666,600	8.9
2014				
Orange County	1,572,700	1,486,400	86,300	5.5
California	18,758,400	17,351,300	1,407,100	7.5
2015				
Orange County	1,588,800	1,517,800	70,900	4.5
California	18,896,500	17,724,800	1,171,700	6.2
2016				
Orange County	1,602,500	1,537,700	64,800	4.0
California	19,093,700	18,048,800	1,044,800	5.5
2017				
Orange County	1,618,800	1,561,700	57,000	3.5
California	19,311,700	18,387,800	923,900	4.8

Source: California Employment Development Department. Data not seasonally adjusted. March 2017 Benchmark, data as of March 2018.

Taxable Sales

Table A-28 summarizes the annual volume of taxable transactions since 2012.

TABLE A-28

**COUNTY OF ORANGE
TAXABLE TRANSACTIONS⁽¹⁾
(In Millions)**

Type of Business	2013	2014	2015	2016	2017	2018⁽²⁾
General Merchandising and Clothing	\$8,933	\$9,150	\$8,836	\$8,892	\$9,089	\$9,342
All Food and Drink	8,298	8,814	9,636	10,020	10,230	10,524
Motor Vehicles and Parts	7,148	7,766	8,353	8,649	8,915	9,063
Service Stations	4,707	4,675	3,768	3,347	3,552	3,838
All Other	28,506	29,693	30,766	31,604	32,220	32,871
Total Taxable Sales	<u>\$57,591</u>	<u>\$60,097</u>	<u>\$61,358</u>	<u>\$62,511</u>	<u>\$64,006</u>	<u>\$65,639</u>

(1) May not add due to rounding

(2) 2018 reflects year-end forecast.

Source: *The Chapman University Economic & Business Review, June 2018.*

Housing Characteristics

The total number of housing units in the County was estimated by the California State Department of Finance to be 1,094,169 as of January 1, 2018. This compares to 969,484 reported in 2000 and 875,105 in 1990. According to CoreLogic the May 2018 median home price in the County was \$740,000 as compared to the \$537,450 for the six Southern California Counties combined. Since 2011, the median home price in the County has grown more than 50%.

Building Permits

The total valuation of residential building permits issued in the County is projected to exceed \$3.9 billion in 2018 and was \$3.3 billion in 2017. Table A-29 provides a summary of residential building permit valuations in the County during the period 2013 through 2018.

TABLE A-29

**COUNTY OF ORANGE
RESIDENTIAL BUILDING PERMIT VALUATIONS**

Permit Valuation	2013	2014	2015	2016	2017	2018⁽¹⁾
Residential*	\$ 2,654	\$ 2,640	\$ 2,834	\$ 3,160	\$ 3,321	\$ 3,908
Nonresidential*	1,521	1,993	2,196	2,487	2,284	2,787

(1) 2018 reflects year-end forecast.

* Permit valuations are in millions

Source: *The Chapman University Economic & Business Review, June 2018.*

Water Supply

Maintaining the County's water supply is the responsibility of the Orange County Water District, manager of the County's groundwater basin, and the Municipal Water District of Orange County, the County's largest manager of imported water. Approximately 75% of the County's water is from local groundwater sources; the rest is imported. The County's natural underground reservoir is sufficient to carry it through temporary shortfall periods, but local supplies alone cannot sustain the present population.

Clean Water Compliance

The federal Clean Water Act ("CWA") was adopted to restore the physical, chemical, and biological integrity of the nation's waters by, among other requirements, establishing water quality standards. The states are required to evaluate the quality of their jurisdictional waters against these water quality standards periodically. Failure to meet standards results in a finding that a water body is impaired, which requires development of a Total Maximum Daily Load ("TMDL") for every pollutant contributing to impairment. A TMDL establishes the maximum amount of a pollutant that a water body can receive and still achieve water quality standards under the CWA.

The CWA made it unlawful to discharge anything except clean rainwater into the waters of the United States without a permit from the National Pollutant Discharge Elimination System ("NPDES"), which was also established by CWA. In California, nine California Regional Water Quality Boards ("Regional Boards") issue NPDES permits, with approval by the California State Water Resources Control Board and the US Environmental Protection Agency ("EPA"). Municipal separate storm sewer systems ("MS4") are required to have MS4 NPDES permits. The County and local cities are under the jurisdiction of two MS4 permits. The County serves as lead permittee for both permits and the cities are co-permittees. Jurisdictions in the northern portion of the County are subject to the Santa Ana Regional Board MS4 NPDES permit, while jurisdictions in the south are subject to the San Diego Regional Board MS4 NPDES permit.

The MS4 NPDES permits have numerous requirements with which the County must comply, including compliance monitoring of water quality, reporting, and implementation actions to reduce pollutants in the MS4 discharges. Although unlikely to occur, the applicable water boards are able to assess administrative fines of up to \$10,000 per day of violation. In addition, the CWA allows any citizen to sue for non-compliance and therefore the County could be exposed to litigation by third parties.

The newest MS4 NPDES permits will have new requirements for comprehensive plans to address water quality in the County. The MS4 NPDES permits renewal process is several years behind schedule and the applicable watershed management plans are still in development. Thus, the capital projects required for water quality improvement are not yet known, and as a result, it is not possible to estimate the implementation costs with any reasonable specificity. However, the costs of such capital projects could be very significant over time.

The County is employing a multi-faceted strategy to comply with the MS4 NPDES permit requirements and reduce the estimated costs to implement the watershed management plans. The County works closely with the applicable Regional Boards to evaluate monitoring data and implement special studies to help identify the causes of water quality impairments, which in turn may lead to amendments to water quality regulations and reductions in implementation costs. In this way, the County can focus its resources on improvements that are likely to have greater benefits to water quality. The County also implements a public education and outreach program to help educate the citizens of the County on the importance of water quality, with a substantial effort toward educating youth. One of the goals of this approach is to prevent pollutants from entering water bodies in the first place, which is much more efficient than mitigating water pollution after it has already occurred. Another strategy the County and other MS4 co-permittees employ is to seek outside funding opportunities, including grants, to help fund special studies and water quality improvement projects, which will help defray compliance costs.

Recreation and Tourism

The County is a tourist center in Southern California because of the broad spectrum of amusement parks and leisure, recreational, and entertainment activities that it offers. These tourist attractions are complimented by the year-round mild climate.

Along the County's Pacific Coast shoreline are five state beaches and parks, five municipal beaches, and five County beaches. There are three small-craft harbors in the County; Newport, Huntington, and Dana Point harbors.

Other major recreational and amusement facilities include Disneyland, Disney's California Adventure, Knott's Berry Farm, and the Spanish Mission of San Juan Capistrano. Also located within the County are the Anaheim Convention Center, Angel Stadium of Anaheim home of the Major League Baseball Team Los Angeles Angels of Anaheim, Honda Center of Anaheim home of the National Hockey Team Anaheim Ducks, Segerstrom Center for the Arts, and the Art Colony at Laguna Beach with its annual art festival.

Transportation

The County is situated in one of the most heavily populated areas in California and has access to excellent roads, rail, air, and sea transportation. The Santa Ana Freeway (I 5) provides direct access to downtown Los Angeles and connects with the San Diego Freeway (I 405) southeast of the City of Santa Ana providing a direct link with San Diego. The Garden Grove Freeway (SR 22) and the Riverside Freeway (SR 91) provide east-west transportation, linking the San Diego Freeway, Santa Ana Freeway and the Newport Freeway (SR 55). The Newport Freeway provides access to certain beach communities.

Drivers in the County have access to five toll roads. The 91 Express Lanes is a 10-mile express lanes toll road in the median of the SR 91 connecting Orange County and Riverside County. The San Joaquin Toll Road (73) runs from Costa Mesa to Mission Viejo connecting to the I-405 and the I-5 freeways. The Foothill Eastern Toll Roads consisting of the 241, 261 and 133 connect to the SR 91 near the Riverside County line and I-5 freeway in the City of Irvine, the Laguna Canyon Road, and other cities in South County.

Rail freight service is provided by the Burlington Northern Santa Fe Railway and the Union Pacific Railroad Company. Amtrak provides passenger service to San Diego to the south, Riverside and San Bernardino Counties to the east, and Los Angeles and Santa Barbara to the north. Metrolink provides passenger service to San Bernardino and Riverside Counties to the east, San Diego County to the south and Los Angeles County to the north. Bus service is provided by Greyhound Bus Lines. The Orange County Transportation Authority provides bus service between most cities in the County. Most interstate common carrier truck lines operating in California serve the County.

John Wayne Airport is located in the unincorporated area between the cities of Costa Mesa, Irvine, and Newport Beach and is owned and operated by the County. The airport is classified as a medium air traffic hub by the Federal Aviation Administration, serving the County and portions of Los Angeles, Riverside, San Bernardino and San Diego counties (its "Trade Area"). The airport is an origination and destination airport, primarily for short-to-medium haul markets in its Trade Area. Presently, thirteen airlines operate out of the airport, including ten commercial airlines (Alaska, American, Delta, Frontier, Southwest, United, Compass, Horizon, Skywest Commercial, and WestJet), one commuter airline (SkyWest dba United Express and Delta Connection) and two cargo airlines (FedEx and UPS). From January through December 2017, the airport served approximately 10.4 million passengers. General aviation activities at the airport are served by two full service Fixed Base Operators.

Natural Disasters

Natural disasters, including floods, fires, and earthquakes, have been experienced in the County. Seismic records spanning the past half century and historic records dating from the 1700s through the early 1900s indicate that the County is a seismically active area.

Cybersecurity

The County relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the County and its departments face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. There have been many cyber-attack attempts on the County's computer system, but not any resulting in a material compromise of the system, data loss or breach that the County has identified.

In 2014, the County created the Cybersecurity Joint Task Force ("CSJTF") comprised of County department operations, policy and Information Technology (IT) staff. The CSJTF meets monthly to produce the County Cybersecurity Best Practices Manual. The CSJTF has also developed, reviewed and approved Countywide Security policies, plans and guidelines.

Through the Enterprise Privacy & Cybersecurity Program, the County implements a mandatory Cybersecurity Awareness Training (CSAT) to its workforce members. The County is establishing a Security Operations Center "SOC" with cybersecurity professionals for cyber-attack monitoring, investigation, and response. The County is deploying the Security Information & Event Management (SIEM) which enable security administrators to collect log data of all events from a wide variety of network devices in the County to identify and report on security threats and suspicious behavior. Implementation of an integration threat solution anti-virus using artificial intelligence (AI) to County workstations has been implemented in many departments. The County is also in the process of deploying a next generation cloud-based proxy and firewall that would provide Internet security, including web security.

In 2017, the Board of Supervisors authorized the Chief Information Officer to execute a contract with Tevora Business Solutions, Inc. to conduct a Countywide Cybersecurity Assessment and Audit of all departments. The assessment and audit was based on 10 security domains established by the Department of Homeland Security (DHS) Cyber Resilience Review (CRR), Vulnerability Assessment, and On-site Validation of Physical Security Controls.

No assurances can be given that the County's security and operational control measures will ensure against any and all cybersecurity threats and attacks. A cybersecurity incident or breach could damage the County's Information Technology systems and cause disruption to County services and operations. Although the County carries cyber liability insurance in the amount of \$75 million, the cost of any such disruption or remedying damage caused by future attacks could be substantial. The County will continue to assess cyber threats and protect its data and systems.

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APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

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ORANGE COUNTY, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017



ERIC H. WOOLERY, CPA ORANGE COUNTY AUDITOR-CONTROLLER

County of Orange

State of California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2017



Eric H. Woolery, CPA
Auditor-Controller

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**AUDITOR-CONTROLLER
COUNTY OF ORANGE**

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SANTA ANA, CALIFORNIA 92701-0567

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COUNTY OF ORANGE**

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333 W. SANTA ANA BLVD.
SANTA ANA, CALIFORNIA 92701

(714) 834-2345 FAX: (714) 834-3018

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December 14, 2017

The Citizens of Orange County:

The Comprehensive Annual Financial Report (CAFR) of the County of Orange, State of California (County), for the year ended June 30, 2017, is hereby submitted in accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California. The report contains financial statements that have been prepared in conformity with United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. A comprehensive framework of internal controls has been designed and established to provide reasonable assurance that the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of County funds. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

The CAFR has been audited by the independent certified public accounting firm of Macias Gini & O'Connell LLP (MGO). The goal of the independent audit was to provide reasonable assurance about whether the basic financial statements of the County for the year ended June 30, 2017, are free of material misstatement. The independent certified public accounting firm has issued an unmodified (clean) opinion on the County's basic financial statements as of and for the year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report. MD&A provides a narrative introduction, overview, and analysis of the basic financial statements.

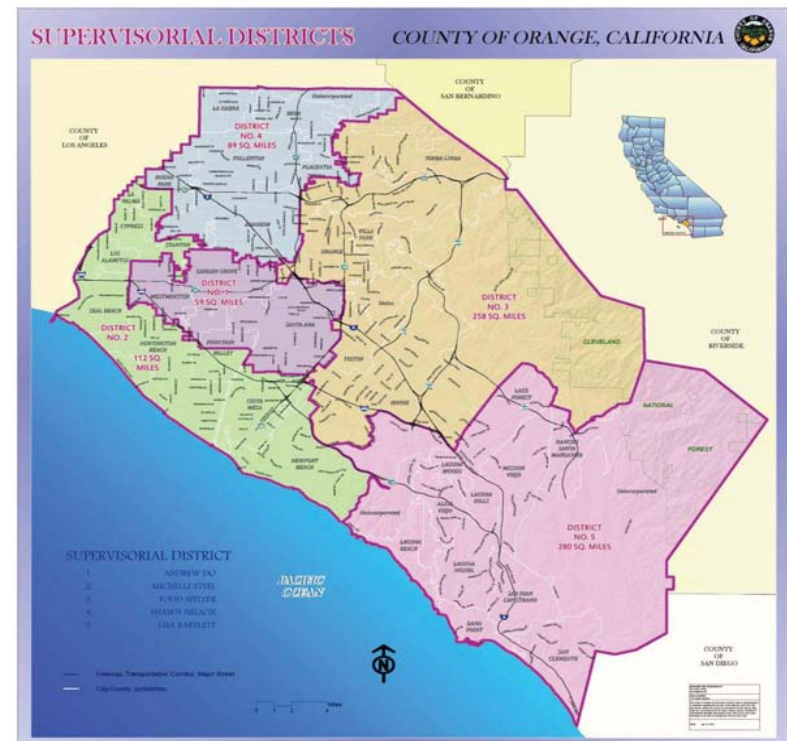
PROFILE OF THE GOVERNMENT

The County, incorporated in 1889 and located in the southern part of the State of California, is one of the major metropolitan areas in the state and nation. The County occupies a land area of 798 square miles with a coastline of 42 miles serving a population of over 3 million. It represents the third most populous county in the state and ranks sixth in the nation.

The County is a charter county as a result of the March 5, 2002, voter approval of Measure V, which provides for an electoral process to fill mid-term vacancies on the Board of Supervisors. Before Measure V, as a general law county, mid-term vacancies would otherwise be filled by gubernatorial appointment. In November 2008, voters approved Measure J, which added Article III, Section 301 to the Charter of Orange County requiring voter approval for increases in future retirement system benefits of any employee, legislative officer, or elected official of the County in the Orange County Employees Retirement System (OCERS) or any successor retirement system, with the exception of statutorily-established cost of living adjustments, salary increases, and annual leave or compensatory time cash-outs. In June 2012, voters approved Measure B, which requires that any Orange County Supervisors elected or appointed on or after June 5, 2012 can enroll only in the minimum pension option, i.e., the least lucrative pension plan, offered to Orange County employees. At present, the minimum pension plan is a 1.62% at 65 pension

plan. This measure amends the County Charter and applies to any current or previous Supervisor. In June 2016, voters approved Measure B, which requires the County Auditor-Controller to review any Countywide measure placed on the ballot and prepare a fiscal impact statement.

The County is like a general law county and governed by a five-member Board of Supervisors (the Board), who each serve four-year terms, and annually elect a Chairman and Vice-Chairman. The Supervisors represent districts that are each approximately equal in population. The district boundaries were revised effective September 6, 2011, incorporating the results of the 2010 census. A County Executive Officer (CEO) oversees 16 County departments, and elected department heads oversee six County departments. The Supervisorial Districts map below shows the boundaries of Orange County and the areas governed by each member of the Board.



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The County provides a full range of services Countywide, for the unincorporated areas, and contracted services for cities. These services are outlined in the following table:

Countywide Services		Unincorporated Area Services	
Affordable Housing (Housing Authority)	Veterans Services	Animal Care & Control	Libraries
Agricultural Commissioner	Indigent Medical Services	Flood Control	Parks
Airport	Jails & Juvenile Facilities	Land Use	Waste Disposal Collection
Child Protection & Social Services	Juvenile Justice Commission	Law Enforcement	
Child Support Services	Landfills & Solid Waste Disposal		
Clerk-Recorder	Law Enforcement		
Coroner & Forensic Services	Probationary Supervision		
District Attorney	Public Assistance		
Elections & Voter Registration	Public Defender/ Alternate Defense		
Environmental / Regulatory Health	Public & Mental Health		
Flood Control & Transportation	Senior Services		
OC Parks	Collection & Appeals		
Disaster Preparedness	Weights & Measures		
Grand Jury	Property Tax Assessment, Apportionment & Collection		

Contracted Services for Cities	
Animal Care & Control	Libraries
Law Enforcement	Public Works & Engineering
Utility Billing and Check Remittance Processing	

Sources: County departments

In addition to these services, the County is also financially accountable for the reporting of component units. Blended and fiduciary component units, although legally separate entities, are, in substance, part of the County's operations and, therefore, data from these units are combined with data of the County. The County has two discretely presented component units, the Children and Families Commission of Orange County (CFCOC) and CalOptima, which require discrete presentation in the government-wide financial statements. The County's fiduciary component unit, County of Orange Redevelopment Successor Agency (Successor Agency), was established as a result of the dissolution of the former Orange County Development Agency. The following entities are presented as blended component units in the basic financial statements for the year ended June 30, 2017: the Orange County Flood Control District, Orange County Housing Authority, Orange County Public Financing Authority, Capital Facilities Development Corporation, South Orange County Public Financing Authority, Orange County Public Facilities Corporation, County Service Areas, Special Assessment Districts, Community Facility Districts, and In-Home Supportive Services Public Authority. Additional information on these entities can be found in Note 1, Summary of Significant Accounting Policies, in the Notes to the Basic Financial Statements section.

The County maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. Activities of the General Fund and most of the Special Revenue, Debt Service, Capital Projects and Permanent funds are included in the annual appropriated budget. The level of budgetary control (that level which cannot be exceeded without action by the Board) is at the legal fund-budget control unit level, which represents a department or an agency. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. The Budgetary Comparison Statements for the General Fund and major Special Revenue Funds are part of the Basic Financial Statements. The Budgetary Comparison Schedules for the nonmajor Governmental Funds with appropriated annual budgets are presented in the Supplemental Information section for governmental funds. The County also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered

appropriations do not lapse at year-end; outstanding encumbrances are carried forward. Additional information on the budgetary process can be found in Note 1, Summary of Significant Accounting Policies, in the Notes to the Basic Financial Statements section.

The County's eGovernment website portal at www.ocgov.com provides online services and extensive information about the County government to Orange County residents, businesses, partners, and visitors. It includes information about the Board, County job listings, purchasing bid solicitations, assessment appeals, links to court information and local court rules, voter information, County permits and forms, public safety, health and human services programs and financial information. The site also provides several online services, including live and archived Board meeting videos, the ability to order birth, death and marriage certificates, search fictitious business names, find polling locations and election results, license pets, view and pay property taxes, request and track services provided by OC Public Works such as pothole repair and sidewalk maintenance, and subscribe to receive emergency alerts. The County continuously strives to improve our constituent's ability to conduct business online.

FACTORS AFFECTING ECONOMIC CONDITION

Local Economy

Two indicators of the Orange County economy are: how well the local economy performs relative to surrounding counties, the state, and the nation (external indicators); and how well the local economy performs relative to its own historical trends (internal indicators). This section provides various external and internal indicators that describe the current and projected outlook of the Orange County economy.

In terms of the external indicators, Orange County's economy continues to out-perform local surrounding counties, the state, and national economies (in annual percentage growth), and, in fact, ranks higher (in absolute growth rate dollars) than the economies of the majority of the world's countries.

Orange County's unemployment rate continues to be below that of all surrounding Southern California counties, the State of California, and the National level (see Table 1).

According to the California Department of Finance, inflation, as measured by the increase of the Consumer Price Index (CPI) in 2017, is expected to be 2.8% for Orange County, lower than the State of California at 3.0%, but higher than the U.S. at 2.3% (see Table 2).

Table 1: Unemployment Rate Comparison

Primary Government Entity	August 2017 Unemployment Rate
United States	4.5%
California	5.4%
Riverside County	6.5%
San Bernardino County	5.8%
Los Angeles County	5.4%
San Diego County	4.7%
Orange County	4.2%

Unemployment Rate

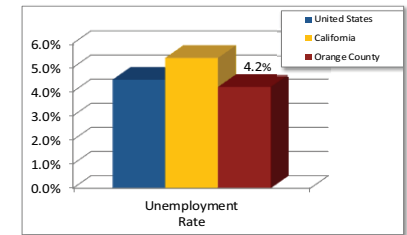


Table 2: 2017 – Projected Increase of the CPI

United States	California	Orange County
2.3%	3.0%	2.8%

Sources: State of California, Employment Development Department
 California Department of Finance, April 2017
 Note: Unemployment rates are for the month of August 2017

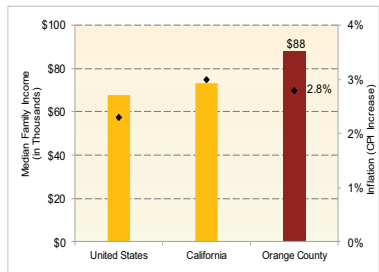
According to the Department of Housing and Urban Development, Orange County's median family income is expected to be \$88,000 (absolute dollars) in 2017, compared to \$85,000 (absolute dollars) in 2016. Median family incomes in Orange County continue to exceed all surrounding Southern California counties, the State of California, and the nation (see Table 3).

Table 3: Median Family Income Comparison

Primary Government Entity	Median Family Income (absolute dollars)
United States	\$68,000
California	\$73,300
Orange County	\$88,000
San Diego County	\$79,300
Los Angeles County	\$64,300
Riverside County	\$63,200

Sources: U.S. Department of Housing and Urban Development, 2017

Comparisons of Inflation and Median Family Income



Sources: California Department of Finance, April 2017
 U.S. Department of Housing and Urban Development, 2017

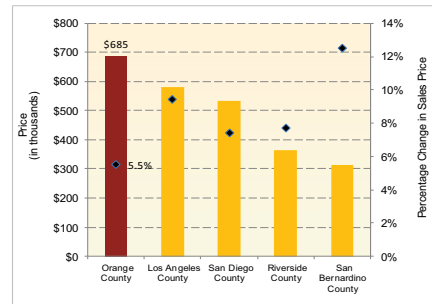
According to CoreLogic Information Systems, the median home sales price for new and existing homes in Orange County was \$685,000 (absolute dollars) in August 2017, representing a 5.5% increase relative to August 2016. The median sales price in Orange County continues to exceed all surrounding counties (see Table 4).

In terms of internal trends, current and projected indicators suggest that the Orange County economy will continue to gradually improve with job growth expected to be 1.5% in 2017.

Table 4: Median Home Sales Price Comparison - Southern California Counties - August 2017

Primary Government Entity	Median Home Sales Price Increase	Median Home Sales Price (absolute dollars)
Orange County	5.5%	\$685,000
Los Angeles County	9.4%	\$580,000
San Diego County	7.4%	\$535,000
Riverside County	7.7%	\$365,000
San Bernardino County	12.5%	\$315,000

Table 4: Comparison of Median Home Sales Price and Price Changes Among Counties



Sources: CoreLogic Information System, August 2017

Table 5 shows various internal indicators reflecting steady growth of Orange County's economy. The unemployment rate decreased to 4.2% for the month of August 2017 relative to 4.3% for the month of August 2016. Job growth is expected to decrease to 1.5% in 2017. Median home prices increased by 5.5% in August 2017, relative to 6.4% in August 2016. Annual change in sales tax receipts is forecasted to be 4.1% in 2017.

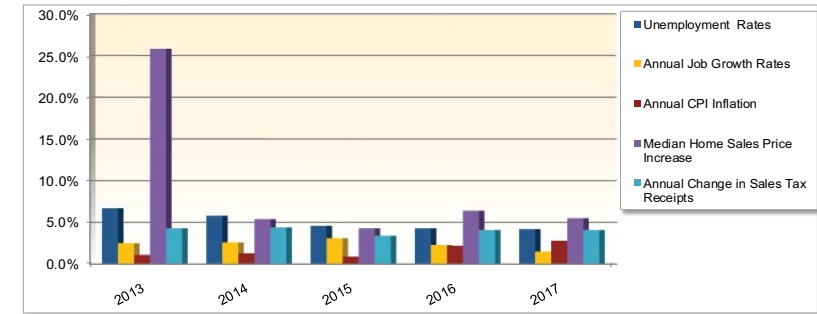
Table 5: Orange County Historical Data

Historical Indicators	2013	2014	2015	2016	2017
Unemployment Rates	6.7%	5.4%	4.6%	4.3%	4.2%
Annual Job Growth Rates	2.5%	2.6%	3.1%	2.3%	1.5%
Annual CPI Inflation	1.1%	1.3%	0.9%	2.2%	2.8%
Median Home Sales Price Increase	25.8%	5.4%	4.3%	6.4%	5.5%
Annual Change in Sales Tax Receipts	4.3%	4.4%	3.4%	4.1%	4.1%

Data in Table 5 for prior years may be different from previous years CAPR due to the timing of obtaining data. Data for 2017 is based on forecasted data.

Orange County Historical Data Comparison

(Shown as a year-to-year percentage increase/decrease)



Sources: State of California, Employment Development Department
 Economic & Business Review, Chapman University, June 2017
 CoreLogic Information Systems, August 2017
 California Board of Equalization

In summary, the economy in Orange County continues to show signs of moderate but steady growth.

Long-Term Financial Planning

Strategic Plan: In March 1997, the Board initiated a financial planning process that is a key component of the County's commitment to fiscal responsibility, accountability, and efficiency. The plan includes projections of County general purpose revenues, departmental projections of operating costs, revenues, capital and information technology needs for current programs and services and anticipated caseload changes. New programs, services and capital projects are identified and prioritized on a Countywide basis with financial impacts identified over the plan period. The plan covers a five-year period and includes a ten-year analysis of operating costs in cases where new programs and facilities are assessed to ensure the ability to pay for long-term operational costs.

The 2017 Strategic Financial Plan (SFP) was presented to the Board on December 12, 2017. The 2017 SFP is the foundation in planning for continued financial stability and will be augmented by the monitoring and establishment of budgetary control via the quarterly budget reporting process and adoption of the Annual Budget. The five-year SFP projections indicate that General Purpose Revenue growth will be in the range of 4.5% for the first year of the plan with growth rates averaging 3.1% in years two through five. The moderate growth rate for revenue, coupled with the increasing cost of doing business, will require the County to carefully manage programs and services levels. The

County continues to believe that sustained job growth and reduced unemployment are the key indicators for economic growth.

In order to address identified budget issues and prepare for the continued uncertainty of the general and local economy, the following represent some of the actions taken or identified as options for early planning. Early action is critical to ensure baseline services are met and that the County continues to experience financial stability.

- The SFP reflects a 0% increase in Net County Cost allocations to departments for the fiscal year 2018-19, and 1% for each of the following fiscal years, with the remaining excess funds distributed and/or set-aside to address the most critical strategic needs for the County
- Continuation of the policy to not backfill State budget reductions
- Position Policy: delete aged vacant positions
- Internal financing program to support major capital and information technology projects
- Maintaining prudent levels of General Fund and Contingency Reserves

The County continues to move forward on several large projects identified below. In addition, the County is in various stages of planning and implementing several other projects. Financial plans are in place for the upgrade of the 800 MHz Countywide Coordinated Communications System, replacement of the Central Utility Facility infrastructure, new OC Animal Care Center, Bridges at Kraemer Place and other homelessness initiatives, and the first phase of the Civic Center Facilities Master Plan. Development of the County property at the former Marine Corps Air Station El Toro in Irvine and other various County-owned properties such as the Greenspot and Prado Dam properties will require up-front financial planning and investment in order to generate revenue in future years on a long-term basis.

Santa Ana River Mainstem Project: The Santa Ana River Mainstem Project (SARMP) was initiated in 1964, in partial response to a resolution of the United States House Committee on Public Works adopted May 8, 1964. A survey report was completed by the Orange County Flood Control District in 1975. The report was reviewed and submitted to Congress in September 1978. In September 1980, the United States Army Corps of Engineers completed the General Design Memorandum for the SARMP. Construction for the SARMP was authorized by the Water Resources Development Act of 1986. Construction for the SARMP was initiated in 1989, and completion is scheduled for December 2029.

The SARMP is designed to provide flood protection to the growing urban communities in Orange, Riverside and San Bernardino Counties. The proposed improvements to the system cover 75 miles, from the headwater of the Santa Ana River, east of the city of San Bernardino to the mouth of the river at the Pacific Ocean between the cities of Newport Beach and Huntington Beach. The project will increase levels of flood protection to more than 3.35 million people within the three county areas. The project includes seven independent features: Seven Oaks Dam, Mill Creek Levee, San Timoteo Creek, Oak Street Drain, Prado Dam, Santiago Creek and the Lower Santa Ana River. To learn more about the SARMP, visit the Orange County Flood Control Division's website at www.ocflood.com.

OC Dana Point Harbor Revitalization Plan: The OC Dana Point Harbor Revitalization Plan (Plan) includes revitalization of Dana Point Harbor's commercial core, marinas, and hotel. The Plan is a multi-phased and long-term public-private partnership project, where total development costs have been estimated in excess of \$150,000 pending final project design approvals. The Plan is a phased and systematic long-term rehabilitation and/or replacement of the commercial core, hotel, and waterside elements. County Executive Office Real Estate staff managed the process for selection of a potential private partner for the project and are working with OC Parks staff to finalize the financial strategy for the complete Plan that will meet the long-term needs and expectations of the community and the County. On October 17, 2017, the County selected Dana Point Harbor Partners, LLC (DPHP) as the primary developer and Dana Point Partners, LLC as the alternate developer for the lease, development, and management of certain portions of Dana Point Harbor. The Board authorized the Chief Real Estate Officer (or Designee) to negotiate option and lease agreements with DPHP as primary developer and return to the Board for approval.

James A. Musick Facility Expansion: On March 8, 2012, the County received a conditional award from the State for \$100,000 in funds for expansion of the James A. Musick Facility Assembly Bill 900 (AB900). On March 8, 2013, the State approved the funding to complete design and construction for the project, of which establishment allows the

County to commit funding to design and construction that is reimbursed from the AB900 Phase II \$100,000 award. This project is estimated for completion in FY 2020-21. The County must front costs initially until the notice to proceed for construction is approved by the State. At that time, all past eligible costs incurred can be invoiced for reimbursement by the State in full, and all future costs will be invoiced for reimbursement by the State on an ongoing basis until construction completion and occupancy. It is anticipated that costs will be reimbursed beginning in FY 2018-19.

On March 13, 2014, the State approved \$80,000 in funds for the County for further expansion of the James A. Musick Facility (Senate Bill 1022). This project will be completed in parallel with the AB900 project. Because of schedule compaction during design, the State approved executing both project phases into a single construction project. The financial requirements for this second phase are consistent with those described above.

La Pata Avenue Gap Closure and Camino Del Rio Extension Project: The County is nearing completion of the construction of the La Pata Avenue Gap Closure Project (Project) that widens La Pata Avenue and implements a gap closure between the cities of San Juan Capistrano and San Clemente. This is a cooperative project between the City of San Clemente, City of San Juan Capistrano, OC Waste & Recycling, and OC Public Works, with the County acting as the lead agency. The total Project cost is estimated at \$127,000 and is funded from State Proposition 1B, Orange County Measure M1 and M2, gas tax, La Pata Fee Program, OC Waste & Recycling, developer agreement, and community facility district revenues. A construction contract for \$72,741 was awarded by the Board on December 10, 2013 and a construction management contract for \$7,706 was awarded on February 4, 2014.

The groundbreaking ceremony was held on April 4, 2014. The ribbon cutting ceremony for the roadway gap closure was held on August 13, 2016 and the roadway was open to the public on August 14, 2016. Construction of the Camino Del Rio Extension Phase was completed in April 2017. Completion of the final phase of the La Pata Widening is anticipated in July 2018.

Bridges at Kraemer Place Year-Round Emergency Shelter (Bridges): On November 17, 2015, the Board approved the acquisition of 1000 N. Kraemer Place for \$4,250 as the site of a new 200-bed Year-Round Emergency Shelter and Multi Service Center to serve the homeless with \$1,250 in funding support from the cities of Anaheim, Fullerton, Brea, and La Habra. Bridges currently has a 100 person capacity, with a second phase to be completed in 2018 bringing the total capacity to 200 occupants.

OC Animal Care Center: In December 2015, the Board approved negotiated terms for a land swap between the County, the South Orange County Community College District, and the city of Tustin regarding ten acres of land for the construction of a new state-of-the-art OC Animal Care Center to replace the existing shelter in the city of Orange. Construction on the new center began in July 2016, and completion is expected in January 2018. The expected opening date of the new center is March 2018.

Central Utility Facility (CUF) Infrastructure Upgrade Project: The County is approximately 75% complete with construction of the CUF Project (Project) in the city of Santa Ana. The Project replaces the cooling tower, chillers and pumps and has added a boiler and related equipment at the CUF. The final Project will replace most of the original 1968 CUF components which are beyond useful life and required upgrades and replacement to be reliable and energy efficient. The Project also includes expansion of the present thermal utility distribution system to new thermal utility clients and improving the cogeneration system efficiency and performance by using the full capacity of the cogeneration components. The primary component of the thermal expansion is the replacement of chilled water lines which are now approximately 90% complete with construction. The total Project is on budget at an estimated \$68,000 and is funded from CUF Lease Revenue Bonds, Series 2016 issued in June 2016. A Guaranteed Maximum Price Contract of \$59,165 to provide construction manager at risk construction phase services for the Project was awarded by the Board on January 26, 2016. The Project Architect-Engineer (A&E) Agreement was amended on April 26, 2016 for a new total not-to-exceed amount of \$7,063. The A&E contract includes engineering and design for the Project, construction observation, commissioning, and support services. The completion of the Project is anticipated in April 2018.

Orange County Civic Center Facilities Master Plan: On April 23, 2013, the Board adopted an ordinance approving a public-private partnership to develop the Civic Center Facilities Strategic Plan. On February 24, 2016, the Board

approved a Program Management and Design Agreement for Phase I planning and design of the Orange County Civic Center Facilities.

Included in Phase I is a six-story, approximately 254,000 square foot building located at 601 N. Ross Street. Building 16 is to be occupied by several County departments and includes a one-stop shop public counter where the public will access services from multiple departments. There will be a 6,600-square-foot event/conference center which is planned to be used by the County and the public. There will be 350 underground parking spaces. The expected completion date is January 2020.

The project's financing was facilitated through a Board adopted ordinance on May 9, 2017, identifying the legal authority for the issuance of bonds, approving a Ground Lease, a Facility Lease, and forming the Capital Facilities Development Corporation (Corporation). On June 22, 2017, the California Municipal Finance Authority (Authority) issued \$152,400 Lease Revenue Bonds, Series 2017A. The Authority loaned a total of \$175,340 to the Corporation, pursuant to a loan agreement, for the construction. Upon filing the certificate of substantial completion, the County will commence base rental payments, under the Facility Lease, to repay the loan to the Authority, which pays debt service to the bondholders.

Relevant Financial Policies

To achieve the goal of providing outstanding and cost-effective regional public services, the County applies sound management practices and policies that enhance the quality of life of its citizens. Such financial management practices have been identified by the Government Finance Officers Association of the United States and Canada (GFOA) and recognized by Fitch Ratings as best practices that promote financial soundness, efficiency in government, and solvency in public finance.

General Fund Reserves Policy

The County General Fund Reserves Policy provides guidance in the creation, maintenance and use of reserves. The policy covers formal and informal reserves, and includes provisions for reserves such as appropriations for contingencies, reserve-like appropriations, and reserve-like funds held by others such as the OCERS Investment Account. The policy also recognizes whether funds are legally required or discretionary or have special restrictions. The reserves policy is maintained and updated, as needed, through the County's annual SFP process. The reserves policy targets and balances are included in the annual SFP document.

The General Fund Reserves policy is designed to provide flexibility to the County as well as the following:

- Resources to address unanticipated or cyclical economic conditions
- Resources for emergencies and/or catastrophic events
- Mitigation of the volatility of revenues and expenditures in managing temporary cash flow shortages
- Capacity to cover unexpected large one-time expenses and opportunities
- Capacity to fund capital investments
- Capacity to minimize borrowing costs
- Capacity to provide some level of protection against statutory changes to County revenues and impacts from federal and state actions

The County has a variety of reserve funds available to both the General Fund and Non-General Funds including:

- Fund Balance Assigned for Contingencies
- Fund Balance Assigned for Operations
- Fund Balance Assigned for Construction and Maintenance
- Fund Balance Assigned for Capital Projects
- Fund Balance Assigned for Teeter Loss Reserve
- Fund Balance Assigned for Reserve Target
- Reserve-Like Funds
- Reserve-Like Appropriations
- Department-Type Reserves

All of the previously mentioned are reserves normally modified at the time of budget adoption (Government Code Section 29085) or at fiscal year-end. Changes to reserve amounts at other times require a 4/5 vote of the Board. A 4/5 vote is also required to make such reserves available for appropriation to expend the funds, if needed, during the fiscal year (Government Code Section 29130).

Reserve Targets and Descriptions

Under GFOA recommended practice, the County establishes an overall reserve target and allocates the calculated target among the classes of obligated fund balances as appropriate. The County may fund more or less to each reserve class for a variety of reasons, such as its current financial condition, the need to set aside for particular goals or directives, the need to bridge one-time gaps, etc. The goal is to ensure a prudent reserve balance that is maintained and replenished on a regular basis.

In implementing the GFOA's best practice, the County elected to establish a funding target based upon two months of General Fund operating revenues. Analysis of the historical average of two months of operating revenues, as well as FY 2017-18 adopted budgeted revenues, yielded a funding target of approximately 17% of General Fund operating revenues.

Contingencies

The purpose and use of this reserve is to cover unanticipated and severe economic downturns, major emergencies, or catastrophes that cannot be covered with existing appropriations. In particular, continued drought conditions with the attendant risk of wildfires, highlights the potential for catastrophic events within the County. A significant event could create the need for a higher funding level of this reserve. The target amount for this reserve is 15% of ongoing annual General Purpose Revenues (excluding fund balance unassigned and one-time amounts and transfers).

The following table summarizes the County's financial management practices:

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Relevant Financial Policies	
Multi-Year SFP	The County's SFP is based on a five-year financial forecast and includes a 10-year analysis of operating costs in cases where new programs and facilities are recommended to ensure the ability to pay for long-term operational costs. Performance measures and strategies are key elements of the SFP process.
Five-Year Capital Improvement Plan	The County's five-year Capital Improvement Plan (CIP) is a long-term list of significant projects funded by the General Fund in the Capital Projects budget. It also includes the five-year capital program for Non-General Fund agencies. The CIP aids the County in its assessment of the best use of funds available in order to establish and prioritize its capital asset goals, while maintaining long-term financial stability.
Information Technology Projects	The five-year Information Technology Plan (ITP) is a compilation of significant IT projects including upgrades or replacements of existing systems, greater or equal to \$150 and less than \$1,000 in any one fiscal year of the five years in the plan. Costs for ongoing system support and maintenance are included. The ITP is a tool used by the County to assess IT projects, leverage overlap, and prioritize the use of County General Funds available to IT projects.
Quarterly Budget Report	The County Executive Office issues quarterly budget reports that provide the Board, County departments, members of the public, and other interested parties with an overview of the current status of budgeted revenues and expenditures, total budgeted positions and various departmental issues requiring adjustments to the County's budget.
Annual Budget Policies and Guidelines	The Annual Budget reflects the County's disciplined approach to fiscal management and is consistent with the County's SFP process. Department budgets are consistent with the priorities and operations plans contained in the SFP. Departments use these planning processes, along with outcome indicators, to evaluate programs and redirect existing resources as needed for greater efficiency to reduce costs and minimize the need for additional resources.
Fund Balance Reserve Policy	The County General Fund currently contains formal and informal reserves, appropriations for contingencies, appropriated reserve-type funds, and reserves held by others. The purpose of these reserves is to protect community programs and services from temporary revenue shortfalls and provide for unpredicted, sudden and unavoidable one-time expenditures.
Contingency Planning Policy	The County's General Fund maintains a reserve for contingencies, which was established through the SFP process. The target amount for this reserve is 15% of ongoing annual General Purpose Revenues (excludes fund balance unassigned and one-time amounts and transfers), or \$113,356. This compares to the GFOA guidelines for funding contingencies at 15% or higher. The November 30, 2017 balance is \$65,000, approximately \$48,356 below the target. In addition to the reserve for contingencies, the County budgets an annual appropriation for significant unanticipated emergencies, catastrophes, one-time expenditures and opportunities of no less than \$5,000 in the General Fund.
Debt Disclosure Practices	The County presents a set of debt disclosures in the County's adopted Budget document and the CAFR, as well as Continuing Disclosure Annual Reports on its website and the Electronic Municipal Market Access (EMMA) repository.

Relevant Financial Policies (Continued)	
Pay-as-you-go Capital Funding	The County's long-term practice has been to use pay-as-you-go funding for capital projects whenever possible. The use of systematic long range financial planning assists in making fiscal decisions such as debt vs. pay-as-you-go capital project financing. The SFP forecasts sources of the County's revenue and operating expenses and incorporates a list of previously identified and prioritized projects that will benefit the citizens of the County. The financial planning for capital projects considers the County's limited funding sources, the capital and operating costs, useful life of projects, and good business practices.
Credit and Debt Management Policy	The County's long-term practice has been to rapidly repay debt when practicable. The Policy is intended to maintain long-term financial stability by ensuring that its long-term financing commitments are affordable and do not create undue risk or burden, achieve and maintain high credit ratings, minimize debt service interest expense and issuance costs, provide accurate and timely financial disclosure and reporting, and comply with applicable State and Federal laws and financing covenants.
Public Financing Advisory Committee	The Public Financing Advisory Committee (PFAC) is responsible for the review, approval, and modification or denial of debt financing proposals. No County debt financing proposal is considered by the Board unless recommended in writing by the PFAC. The PFAC membership consists of the following: five public voting members, each representing a district, and three Ex-Officio County government members (the County Executive Officer (non-voting), the elected Treasurer-Tax Collector, and the elected Auditor-Controller).
Audit Oversight Committee	The Audit Oversight Committee (AOC) is an advisory committee to the Board that provides oversight of the activities of the County Auditor-Controller's Internal Audit Division and the County's external audit coverage, including financial reporting and federal and state audit activities, and discusses the adequacy of the County's internal control structure. The AOC membership includes the Chair and Vice-Chair of the Board, the County Executive Officer, and five private sector members appointed by the Board. The private sector members shall be appointed by the Board for a term of four years and may be reappointed or removed by the Board.
Treasury Oversight Committee	The Treasury Oversight Committee (TOC) is responsible for reviewing and monitoring the annual Investment Policy Statement (IPS) prepared by the Treasurer. In addition, the TOC causes an annual audit of the Treasurer's compliance with the IPS. The TOC shall also investigate any and all irregularities in the Treasurer's operations which become known to the TOC. The TOC will develop and document policy and procedures to investigate and report such irregularities. Annually, the TOC reviews the Treasurer's IPS, including all proposed amendments or modifications to the policy. The Treasurer then submits the IPS to the Board for approval, including any additions or amendments thereto. The TOC membership consists of the following: The elected Auditor-Controller, the County Executive Officer, the elected County Superintendent of Schools, or their respective designees, and four members of the public. The public members shall be nominated by the Treasurer and confirmed by the Board.
24/7 Fraud Hotline	The Fraud Hotline is part of an ongoing fraud detection and prevention effort. The Fraud Hotline is intended for use by County employees, the general public, or vendors for reporting suspected waste, fraud, violations of County policy or misuse of County resources by vendors, contractors or County employees.

Major Initiatives

Funding Equity: The County hovers at the bottom of funding for counties statewide, receiving the lowest percentage of property taxes in California to support services-about 6 cents on the dollar; the state average is 17 cents. The formula for returning local property taxes to the counties where they were collected was set in 1978 and has not been updated since. This systematically disadvantages the County's ability to provide services to its diverse population.

The County's predicament does not have easy fixes. Shifting funding formulas could affect other counties receiving more of their share of taxes, as well as other taxing entities such as cities, special districts, and schools, which have constitutional protections for state funding. Therefore, the answer to assuring funding equity for Orange County lies in increasing funding, programs, and partnerships that specifically benefit County programs and services. When the state shifts or adds responsibilities at the county level, the County will seek enough funding for those programs to ensure their success. The County's robust legislative agenda seeks creative and substantive ways to assure our residents are provided with their fair share of the taxes they pay to support the programs and services they deserve.

State Prison Realignment: With the passage of Assembly Bill 109 in 2011, California ordered the realignment of certain state prisoners to serve their sentences in county jails instead of state prisons to comply with court-ordered overcrowding reductions. The County accounts for 8.1% of the state's population and 6.4% of the total prison population. In FY 2016-17, the County spent \$77,876 and carried over \$0 surplus to FY 2017-18.

Realignment has led to multiple challenges, including: the need for more in-custody housing options and bed space, additional case-management resources, inmate screening and medical/psychiatric programs. Felony caseloads have increased substantially with a corresponding increase in the need for additional court hearings and appearances. On November 4, 2014, voters passed Proposition 47, "The Safe Neighborhood and Schools Act," which reduced the classification of most non-serious, non-violent property and drug crimes from felonies to misdemeanors. This change reduced the number of new felony cases and permitted re-sentencing for anyone currently serving a sentence for those offenses, ultimately reducing the AB 109 and general jail populations. This change resulted in lower felony caseloads and a temporary increase in workloads due to the large number of re-sentencing hearings.

Labor Agreements: Most County employees are represented by one of 17 bargaining units, which are separated into eight labor organizations. The principal organization is the Orange County Employees Association (OCEA), which represents six bargaining units totaling about 9,765 permanent filled employee positions. The next largest unions are the Association of County Deputy Sheriffs, which represents three bargaining units totaling about 2,795 members and the American Federation of State and Municipal Employees at about 1,433 members. All contracts have been successfully negotiated and County employees continue to work under their contract terms with no interruption.

AWARDS AND ACKNOWLEDGEMENTS

GFOA Awards: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the year ended June 30, 2016; this represents the County's 22nd consecutive award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County issued its 14th consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2016. The County received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for this PAFR. The award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to

be awarded, a government must publish a PAFR that reflects the program standards of creativity, presentation, understandability, and reader appeal. The "OC Citizens' Report" is available for viewing at <http://www.oc.gov>

Distinguished Budget Presentation Award: The GFOA awarded a Distinguished Budget Presentation Award to the County for its FY 2016-17 Annual Budget; this is the County's first such award. The award is the highest form of recognition in governmental budgeting. In order to receive the award, the entity had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to acknowledge how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communications device.

Counties Financial Transactions Reporting Award: The County received the Financial Transactions Reporting Award from the State Controller's Office for its Year-End Financial Transaction Report for the fiscal year ended June 30, 2016. The award is in recognition of the professionalism demonstrated by Counties in preparing accurate and timely financial reports and for those counties that meet the review criteria of the award program.

Acknowledgments: We would like to express our sincere appreciation to County staff and the staff of the certified public accounting firm of MGO. We hope this report will be of interest and use to those in county government, other governmental agencies, and the public interested in the financial activities of the County of Orange.

Respectfully submitted,

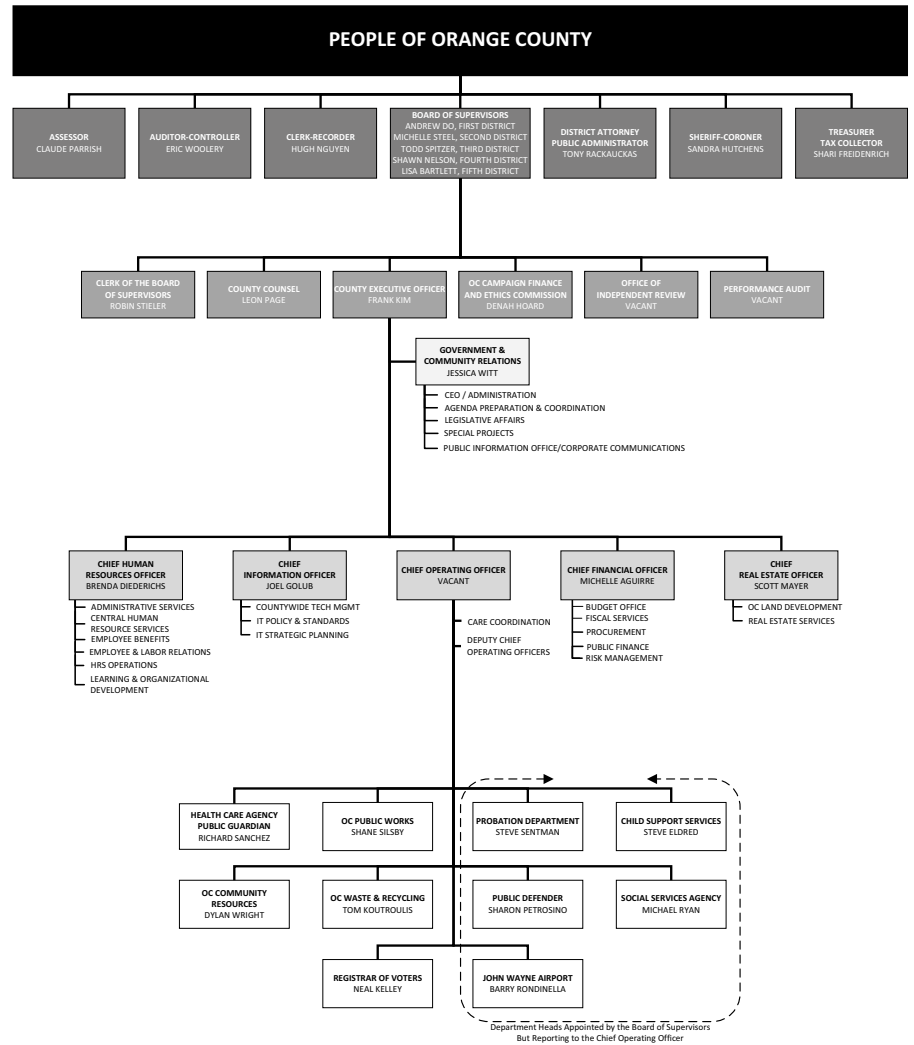

Eric H. Woolery, CPA
Auditor-Controller


Michelle Aguirre
Chief Financial Officer

B-12



County of Orange Organizational Chart







Independent Auditor's Report

The Honorable Board of Supervisors
County of Orange, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Children and Families Commission of Orange County (CFCOC) and the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima), which collectively represent 100% percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for CFCOC and CalOptima, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Flood Control District Fund, Other Public Protection Fund, and Mental Health Services Act Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the basic financial statements, the total net pension liability of the County as of June 30, 2017, which was measured as of December 31, 2016, was \$4.04 billion for the Orange County Employees Retirement System (OCERS). The fiduciary net position as a percentage of the total pension liability as of December 31, 2016, was 69.56% for OCERS. The actuarial valuation is very sensitive to the underlying actuarial assumptions, including a discount rate of 7.25%, which represents the long-term expected rate of return for OCERS. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules related to the OCERS, schedules related to the Orange County Extra-Help Defined Benefit Plan, and schedule related to the Orange County Retiree Medical Plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Macias Gini & O'Connell LLP

Newport Beach, California
December 14, 2017





**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 (UNAUDITED)**

This section of the County's Comprehensive Annual Financial Report (CAFR) provides a narrative overview and analysis of the financial activities of the County for the year ended June 30, 2017. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides a clear picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Total change in net position, which is the difference between total revenues (including transfers in) and expenses (including transfers out), was \$319,442 for the fiscal year, and it increased net position by 15% from prior year.
- Long-term debt obligations decreased by \$98,581 or 21% during the current fiscal year.
- The County's governmental funds reported combined ending fund balances of \$2,578,469, an increase of \$220,943, or 9% in comparison with the prior year.
- General Fund revenues and other financing sources ended the year 4% below budget.
- General Fund expenditures and other financing uses ended the year 7% below budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements presented in the County's CAFR are divided into three different sections:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

<i>Basic Financial Statements</i>			
Government-wide Financial Statements	Fund Financial Statements		
	Governmental Funds	Proprietary Funds	Fiduciary Funds
Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
Statement of Activities	Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenues, Expenses, and Changes in Fund Net Position	Statement of Changes in Fiduciary Net Position
	Budgetary Comparison Statements	Statement of Cash Flows	
Notes to the Basic Financial Statements			

The following table summarizes the major features of the basic financial statements:

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of Financial Statement	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances Budgetary Comparison Statements	Statement of Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Scope	Entire entity (except fiduciary funds)	Day-to-day operating activities for basic services	Day-to-day operating activities for business-type services	Resources on behalf of others
Accounting Basis and Measurement Focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources measurement focus (except for agency funds)
Type of Asset, Deferred Outflows of Resources, Liability, and Deferred Inflows of Resources Information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short term and long-term	Current assets, liabilities, and deferred inflows of resources that come due during the year or soon thereafter	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources held in a trustee or agency capacity for others
Type of Inflows and Outflows Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures for when goods or services have been received, and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements consist of the following two financial statements: the Statement of Net Position and the Statement of Activities. Both of these statements were prepared using an accounting method and a measurement focus similar to those used by private-sector companies, the accrual basis of accounting and the economic resources measurement focus. The **Statement of Net Position** provides information regarding all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The **Statement of Activities**, on the other hand, provides information on how the government's net position changed during the most recent fiscal year regardless of the period when the related cash or cash equivalent is received or paid. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes, and earned but unused vacation leave).

The Statement of Net Position and the Statement of Activities distinguish functions of the County that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include (1) general government, (2) public protection, (3) public ways and facilities, (4) health and sanitation, (5) public assistance, (6) education, and (7) recreation and cultural services. The business-type activities of the County include John Wayne Airport (Airport), Orange County Waste Management and Recycling (Waste Management), and Compressed Natural Gas (CNG).

The government-wide financial statements also provide information regarding the County's component units, entities for which the County (the primary government) is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations; therefore, data from these component units are combined with data of the primary government. Financial information for the CFDOC and CalOptima, discretely presented component units, are reported separately from the financial information presented for the primary government itself. Separate stand-alone annual financial reports can be obtained by accessing the County's website at the following address: www.ocgov.com. A separate stand-alone CalOptima annual financial report can be obtained by accessing the website at <http://wpsoc.dmh.ca.gov/fe/search/>.

Fund Financial Statements

- **Fund** - a separate accounting entity with a self-balancing set of accounts.
- Focus is on **major funds**.
- Provides information regarding the three major categories of all County funds: **governmental, proprietary, and fiduciary**.

The fund financial statements report on groupings of related funds that are used to maintain control over resources that have been segregated for specific activities or objectives. A fund is a separate accounting entity with a self-balancing set of accounts. Like other state and local governments, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental and proprietary fund financial statements is on major funds as determined by the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." All of the County funds can be divided into three major categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds include most of the County's basic services and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements are prepared using the modified accrual basis of accounting and current financial resources measurement focus.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are prepared for the governmental funds' Balance Sheet and the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances to facilitate comparisons between governmental funds and governmental activities. The primary differences between the government-wide and fund financial statements relate to noncurrent assets, such

as land and structures and improvements, and noncurrent liabilities, such as bonded debt and amounts owed for compensated absences, capital lease obligations, and net pension liability, which are reported in the government-wide statements but not in the fund financial statements.

The County maintains several individual governmental funds organized according to their type (General Fund, Special Revenue, Debt Service, Capital Projects and Permanent funds). Information is presented separately in the governmental funds' Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is always a major fund, and all other major funds which may change each year depending on if they meet the major funds criteria. Information for nonmajor funds is presented in the aggregate as "Other Governmental Funds" in these statements. Individual fund data for each of the nonmajor governmental funds is presented in the Supplemental Information Section of this CAFR. The County adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements and schedules have been provided for these funds to demonstrate compliance with the budget and are presented in the Basic Financial Statements and Supplemental Information Section of this CAFR, respectively.

Proprietary Funds - The County maintains two different types of proprietary funds: Enterprise funds and Internal Service funds. **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Airport, Waste Management, and CNG activities. **Internal Service funds** are used to accumulate and allocate costs internally among the County's various functions such as insurance, transportation, publishing services, and information technology. Because these services predominantly benefit governmental rather than business-type functions, Internal Service funds have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airport and Waste Management operations, which are both considered to be major funds of the County. Conversely, the Internal Service funds are combined into a single, aggregated presentation in the proprietary fund financial statements with the individual fund data provided in the combining statements, which can be found in the Supplemental Information Section of this CAFR.

Fiduciary Funds - Fiduciary funds include the **Trust** and **Agency** funds and are used to account for assets held on behalf of outside parties, including other governments. Financial information for fiduciary funds is not reported in the government-wide financial statements because the resources of these funds are not available to support the County's programs. The combining statements for fiduciary funds are included in the Supplemental Information Section of this CAFR.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. To find a specific note, refer to the Table of Contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At June 30, 2017, the County's combined net position (governmental and business-type activities) totaled \$2,505,151, an increase of 15% from FY 2015-16.

The largest component of the County's net position, which totals \$3,521,582, was **net investment in capital assets**, which represents the County's investment in capital assets less any related outstanding debt used to acquire those assets and debt-related deferred outflows and inflows of resources. The County's capital assets are used to provide needed services to its citizens. Since the capital assets

COMPONENTS OF NET POSITION

- Net Investment in Capital Assets
- Restricted
- Unrestricted

themselves cannot be used to liquidate the associated debt, the resources needed to repay the debt must be provided from other sources.

The County's **restricted** net position of \$1,595,032 represents resources that are subject to external restrictions on their use and are available to meet the County's ongoing obligations for programs with external restrictions. External restrictions include those imposed by grantors, contributors, laws/regulations of other governments, or restrictions imposed by law through constitutional provisions or legislation including those passed by the County itself.

The **unrestricted** net position is the final component of net position. Unrestricted net position is resources that the County may use to meet its ongoing obligations to citizens and creditors. As of June 30, 2017, the County's unrestricted net position totals a deficit of \$2,611,463. Among governmental activities, the deficit was \$3,074,958 in unrestricted net position compared to the deficit of \$2,979,945 at June 30, 2016. The main contributor of the deficit continues to be the reporting of the County's proportionate share of net pension liability on the financial statements.

The following table presents condensed financial information derived from the government-wide Statement of Net Position:

NET POSITION – Primary Government June 30, 2017 and 2016						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and Other Assets	\$ 3,635,467	\$ 3,451,250	\$ 895,588	\$ 878,991	\$ 4,531,055	\$ 4,330,241
Capital Assets	2,933,640	2,808,923	897,739	848,929	3,831,379	3,657,852
Total Assets	6,569,107	6,260,173	1,793,327	1,727,920	8,362,434	7,988,093
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows of Resources	822,809	1,097,039	17,251	22,951	840,060	1,119,990
Total Deferred Outflows of Resources	822,809	1,097,039	17,251	22,951	840,060	1,119,990
LIABILITIES						
Long-term Liabilities	4,893,118	5,197,639	454,141	466,575	5,347,259	5,664,214
Other Liabilities	696,941	724,748	94,819	78,920	791,760	803,668
Total Liabilities	5,590,059	5,922,387	548,960	545,495	6,139,019	6,467,882
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows of Resources	546,666	444,828	11,658	9,664	558,324	454,492
Total Deferred Inflows of Resources	546,666	444,828	11,658	9,664	558,324	454,492
NET POSITION						
Net Investment in Capital Assets	2,813,296	2,707,493	708,286	663,280	3,521,582	3,370,773
Restricted	1,516,853	1,262,449	78,179	67,429	1,595,032	1,329,878
Unrestricted	(3,074,958)	(2,979,945)	463,495	465,003	(2,611,463)	(2,514,942)
Total Net Position	\$ 1,255,191	\$ 989,997	\$ 1,249,960	\$ 1,195,712	\$ 2,505,151	\$ 2,185,709

As of June 30, 2017, the County's total assets and deferred outflows of resources increased by 1% or \$94,411 during the current fiscal year. Capital assets increased by \$173,527 primarily due to construction projects for Airport Terminal Improvements, Central Utility Facilities Upgrade, OC Animal Care Center, and various other projects completed for road infrastructure. In addition, there was an increase of \$200,814 in current and other assets primarily due to an increase in restricted cash and cash equivalents for a loan provided by the California Municipal Finance Authority for the Civic Center Facilities Master Plan construction. Offsetting these increases was a decrease for deferred outflows of resources of \$279,930 primarily due to a decrease in deferred outflows related to pension which reflects the changes in net pension liability measurements as required by GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27," (GASB Statement No. 68).

Total liabilities and deferred inflows of resources for FY 2016-17 decreased by 3% or \$225,031. Long-term liabilities decreased by 6% or \$316,955, primarily due to a decrease in the County's proportionate share of the net pension liability and decrease in bonds payable. Offsetting this decrease was an increase in long-term liabilities due to the loan for the Civic Center Facilities Master Plan construction project. Deferred inflows of resources related to pension increased by 23% or \$103,832, calculated as required by GASB Statement No. 68.

The following table provides summarized data of the government-wide Statement of Activities:

CHANGES IN NET POSITION – Primary Government For the Years Ended June 30, 2017 and 2016						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program Revenues:						
Charges for Services	\$ 624,210	\$ 557,450	\$ 304,350	\$ 297,293	\$ 928,560	\$ 854,743
Operating Grants and Contributions	2,067,777	2,037,311	69	171	2,067,846	2,037,482
Capital Grants and Contributions	113,481	105,776	1,828	2,174	115,309	107,950
General Revenues:						
Property Taxes	510,072	500,507	--	--	510,072	500,507
Property Taxes in Lieu of Motor Vehicle License Fees	351,011	333,595	--	--	351,011	333,595
Other Taxes	98,216	78,184	78	72	98,294	78,256
Grants and Contributions not Restricted to Specific Programs	8,434	4,583	--	--	8,434	4,583
State Allocation of Motor Vehicle License Fees	1,234	1,100	--	--	1,234	1,100
Other General Revenues	99,989	80,857	4,883	8,696	104,872	89,553
Total Revenues	3,874,424	3,699,363	311,208	308,406	4,185,632	4,007,769
EXPENSES						
General Government	186,340	203,394	--	--	186,340	203,394
Public Protection	1,485,137	1,433,421	--	--	1,485,137	1,433,421
Public Ways and Facilities	97,928	142,071	--	--	97,928	142,071
Health and Sanitation	593,617	554,872	--	--	593,617	554,872
Public Assistance	1,097,327	1,097,129	--	--	1,097,327	1,097,129
Education	44,510	46,170	--	--	44,510	46,170
Recreation and Cultural Services	112,749	115,136	--	--	112,749	115,136
Interest on Long-Term Debt	17,544	20,112	--	--	17,544	20,112
Airport	--	--	125,522	120,921	125,522	120,921
Waste Management	--	--	105,149	96,301	105,149	96,301
Compressed Natural Gas	--	--	367	283	367	283
Total Expenses	3,635,152	3,612,305	231,038	217,505	3,866,190	3,829,810
Excess before Transfers	239,272	87,058	80,170	90,901	319,442	177,959
Transfers	25,922	21,518	(25,922)	(21,518)	--	--
Change in Net Position	265,194	108,576	54,248	69,383	319,442	177,959
Net Position - Beginning of the Year	989,997	881,421	1,195,712	1,126,329	2,185,709	2,007,750
Net Position - End of the Year	\$ 1,255,191	\$ 989,997	\$ 1,249,960	\$ 1,195,712	\$ 2,505,151	\$ 2,185,709

The County's net position increased by \$319,442 during the current fiscal year. Revenues for the year totaled \$4,185,632, an increase of \$177,863 from the prior year's total revenues. Expenses totaled \$3,866,190, an increase of \$36,380 from the previous year's total expenses.

Governmental Activities

The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating grants and contributions comprised the largest revenue source for the County, followed by charges for services. Operating grants and contributions are monies received from parties outside the County and are generally restricted to one or more specific programs such as State and Federal revenues for public assistance and for health care. Charges for services are revenues that arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Examples of the types of services that fall under this category include engineering services provided to cities under contract, park and recreation fees, and law enforcement services provided to other governmental agencies under contract.

At the end of FY 2016-17, total revenues for governmental activities including transfers from the business-type activities were \$3,900,346 an increase of \$179,465 from the previous year. Expenses totaled \$3,635,152, an increase of \$22,847 from the prior year. During the current fiscal year, net position for governmental activities increased by \$265,194 from the prior fiscal year for an ending balance of \$1,255,191. Key elements of the increase are as follows:

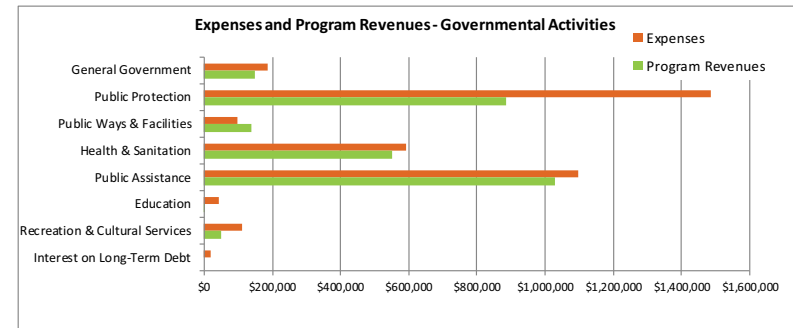
Revenues

- Charges for services increased by \$66,760, primarily from revenue received for Mental Health Services Act (MHSA) programs, law enforcement contracts, and increased South County Roadway Improvement Program (SCRIP) Fee Credits relinquished to the County for building permits.
- Operating grants and contributions increased by \$30,466, primarily due to increased allocations from the State for Mental Health Services.
- Other taxes increased by \$20,032, primarily due to transfer of excess Teeter Tax Loss Reserves to the Teeter Series A debt service fund, increased pass-through revenues from dissolved Redevelopment Agencies (RDA), and increased property taxes from real estate market transactions.
- Property taxes in lieu of VLF increased by \$17,416, primarily due to growth in secured property tax roll values.

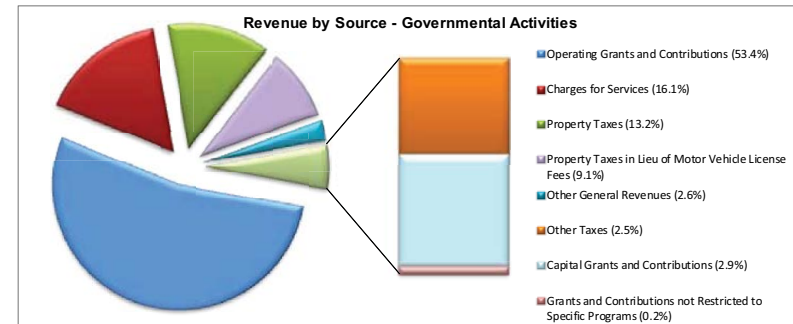
Expenses

- Expenses in public protection increased by \$51,716, due to increases in salaries and employee benefits (S&EB) primarily in the Sheriff-Coroner's Department and increases for professional services provided for various flood control projects such as dredging, levee repairs, facility inspections, vegetation removal, and a one-time settlement payment to a contractor for the Santa Ana River Interceptor Mainline (SARI Line) project.
- Expenses in public ways and facilities decreased by \$44,143, primarily for less SCRIP fee credits paid to the developer for the I-5/Ortega Highway Interchange project and La Pata Avenue Improvements and higher disposition of assets for the Road fund.
- Expenses in health and sanitation increased by \$38,745, primarily due to increases in S&EB and program expenses for MHSA, Correctional Medical Services, Medical Safety Net, and Children and Youth Services.
- Expenses in general government decreased by \$17,054, primarily due to a decrease in bankruptcy related payments from litigation reserves, lower cash disbursements of bankruptcy claims and fewer reimbursement payments made to Santa Margarita Water District for work on the CFD 2015-1 Village of Esencia construction project. Offsetting these decreases was an increase for the Civic Center Facilities Master Plan project.
- Expenses in interest on long-term debt decreased by \$2,568, primarily due to a lower interest expense on Capital Appreciation Bonds.
- Expenses in recreation and cultural services decreased by \$2,387, primarily due to higher capital asset dispositions. Offsetting this decrease was an increase for communications equipment, office equipment, S&EB for OC Parks, and major alterations and improvements primarily at Irvine Regional Park, Mile Square Regional Park, Yorba Regional Park, and Aliso Creek Trail.
- Expenses in education decreased by \$1,660, primarily due to less extra-help staff and pension expenses for OC Public Libraries and fewer purchases of library materials.

The following chart presents a comparison of expenses by function and the associated program revenues for governmental activities:

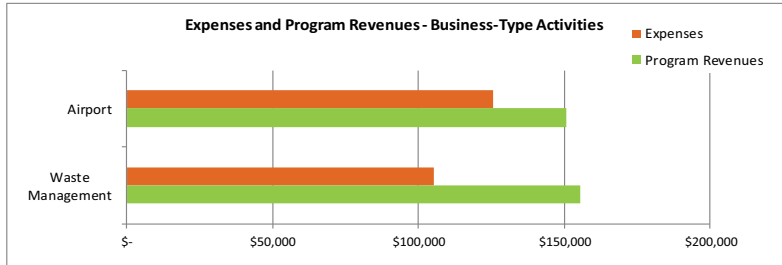


The chart below presents the percentage of total revenues by source for governmental activities:



Business-Type Activities

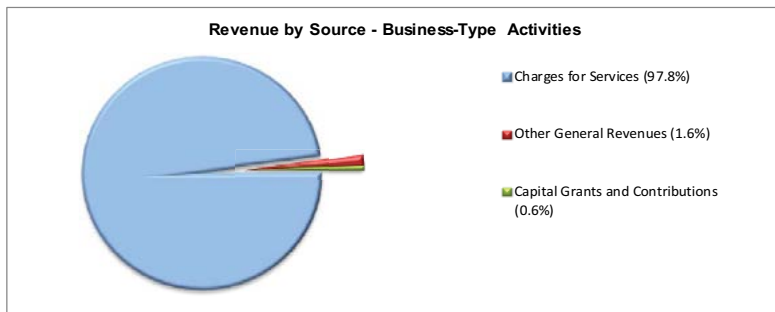
The County has three business-type activities: Airport, Waste Management, and CNG. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported charges for services as their largest source of revenues.



At the end of FY 2016-17, the business-type activities' total revenues exceeded expenses and transfers resulting in an increase of \$54,248 in net position compared to the prior year's increase in net position of \$69,383. Revenues totaled \$311,208, an increase of \$2,802 from the previous fiscal year, primarily attributable to increases from Waste Management's importation revenue and a gain on Coyote Flare Station capital asset disposal. Offsetting this increase was a decrease in the Airport's capital grant contributions from the Transportation Security Authority (TSA) for the Terminal A & B Baggage Screening project and a decrease in Waste Management's interest revenue and available cash distributions from the County.

Expenses, including transfers to governmental activities, totaled \$256,960, representing an increase of \$17,937 from the previous year. This increase is primarily due to Waste Management's pollution remediation expenses, taxes and other fees, and contributions to other agencies, as well as increases for the Airport's professional and specialized services and other services and supplies (S&S). Other factors concerning the finances of the County's two major enterprise funds are discussed in the proprietary funds section of the "Financial Analysis of the County's Funds."

The following chart displays expenses and the associated program revenues by function for the business-type activities (major enterprise funds):



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to demonstrate legal compliance and aid financial management by segregating transactions related to certain government functions or activities.

Governmental Funds

Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources related to unavailable revenue generally are included on the balance sheet, with the difference reported as fund balance. Fund balance, excluding nonspendable and restricted fund balances, may serve as a valuable measure of the government's available financial resources for spending at the end of a fiscal year. This amount is available for spending at the discretion of the Board in order to achieve the established function of the respective funds.

At June 30, 2017, the County's governmental funds reported total fund balances of \$2,578,469, which is an increase of \$220,943 in comparison with prior year ending fund balances.

Comparative Analysis of Changes in Fund Balances

The following schedule presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net change in fund balances for the governmental funds for the current and previous fiscal year:

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2017	2016	2017	2016	2017	2016
	General Fund	\$ 3,167,897	\$ 3,038,491	\$ 3,144,843	\$ 2,975,161	\$ 23,054
Flood Control District	151,353	128,929	144,469	116,206	6,884	12,723
Other Public Protection	79,074	63,506	81,587	63,656	(2,513)	(150)
Mental Health Services Act	153,076	116,978	138,075	115,244	15,001	1,734
Other Governmental Funds	1,193,132	904,098	1,014,615	810,900	178,517	93,198
Total	\$ 4,744,532	\$ 4,252,002	\$ 4,523,589	\$ 4,081,167	\$ 220,943	\$ 170,835

In addition to the effects of expenditure-driven grants, the following information provides explanations for the significant changes in fund balances:

General Fund

The General Fund is the chief operating fund of the County. At the end of FY 2016-17, revenues and other financing sources exceeded expenditures and other financing uses resulting in an increase in fund balance of \$23,054 compared to last year's increase in fund balances of \$63,330. Revenues and other financing sources increased by \$129,406, and expenditures and other financing uses increased by \$169,682. The following is a brief summary of the primary factors that contributed to the increase in the net change in fund balance for the General Fund in FY 2016-17:

Revenues

- Transfers to the General Fund increased by \$64,307, primarily for multi-year capital projects, such as the Year-Round Emergency Shelter and Multi Service Center, Civic Center Facilities Master Plan, and replacement of air handlers at the Health Care Agency's (HCA) Health Clinic. There was also an increase in Proposition 63 drawdowns from the MHSA, increases in transfers of excess Proposition 172 Public Safety Sales Tax for Sheriff-Coroner projects, and computer replacements, and increases for Social Services Agency (SSA) Wraparound program claims.

- Charges for Services increased by \$56,474, primarily due to increases in revenue for the Proposition 63 MHSA program for Children & Youth and Outpatient Adult Mental Health Services. There was also an increase in law enforcement revenue from contract cities such as San Clemente, Mission Viejo, and Rancho Santa Margarita.

Expenditures

- Expenditures in public protection increased by \$77,610. Factors contributing to this increase were the ongoing operational cost increases in the Sheriff-Coroner's Department for S&EB, Workers' Compensation Insurance, Property & Liability Insurance, and S&S. There were also S&EB increases for the District Attorney (DA) due to additional positions added to support current increases in administrative and legal workload demands and further projected increases resulting from growing evidentiary and discovery requirements.
- Expenditures for health and sanitation increased by \$50,834, mainly in programs such as MHSA, Correctional Medical Services, and Medical Safety Net. There were also increases in S&EB for HCA due to additional positions added to support various health programs and outreach and engagement services.
- Expenditures for the general government increased by \$19,248, primarily due to the higher third of five payments per the Vehicle License Fee Adjustment Amount (VLFAA) settlement agreement and the Civic Center Facilities Master Plan project that began construction in FY 2016-17.

Flood Control District

This group of funds is used to account for the planning, construction, and operation of flood control and water conservation works, such as dams, basins, and trunk channels, and for the retardation, conservation, and controlled discharge of storm waters. At the end of FY 2016-17, there was an increase in fund balance of \$6,884 compared to last year's increase of \$12,723. Revenues and other financing sources increased by \$22,424 mainly due to an increase in secured property tax collections and intergovernmental revenues related to Santa Ana River (SAR) Subvention claims. Offsetting these increases was a decrease in intergovernmental revenues from the Department of Water Resources and State Water Resources Control Board, higher unrealized investment loss, decrease in interest from investments, and a decrease in bankruptcy available cash distributions. Expenditures and other financing uses increased by \$28,263, primarily due to an increase in expenditures related to the Santa Ana River Dredging project, a settlement paid to contractor for the SARI Line project, and various maintenance improvement projects such as Peters Canyon Wash Sediment & Vegetation Removal, San Diego Creek Pilot Channel Emergency Interim Sand Management, and Santa Ana River Levee System Repair. Offsetting this increase was a decrease in loan repayments for the SARI Line project to OC Sanitation District (OCSD) and Santa Ana Watershed Project Authority (SAWPA).

Other Public Protection

This group of funds is used to account for safety and law enforcement activities. At the end of FY 2016-17, there was a decrease in fund balance of \$2,513 compared to last year's decrease in fund balance of \$150. Revenues and other financing sources increased by \$15,568, which was primarily attributable to an increase in intergovernmental revenue of \$8,800 from the U.S. Marshals Service Asset Forfeiture Division as part of the equitable sharing disbursement and transfers in of \$6,692 from the General Fund for the 800 MHz backbone costs and next generation radios. Expenditures and other financing uses increased by \$17,931, primarily due to the replacement of obsolete radio equipment for the 800 MHz Countywide Coordinated Communications System and higher expenditures for DA Consumer Protection. Offsetting these increases in expenditures were decreases in equipment costs for mobile digital video recorders and related equipment and also lower maintenance and building improvement costs.

Mental Health Services Act (MHSA)

This fund accounts for purpose restricted MHSA revenues. At the end of FY 2016-17, fund balance increased by \$15,001 compared to last year's increase in fund balance of \$1,734. Revenues and other financing sources increased by a total, net amount of \$36,098, primarily due to higher allocation from the State. Expenditures increased by \$22,831, primarily due to an increase in transfers out to the General Fund for eligible reimbursement of MHSA related services.

Other Governmental Funds

Other governmental funds encompass nonmajor funds, which include special revenue funds, debt service funds, capital projects funds, and a permanent fund. At the end of FY 2016-17, fund balances increased by \$178,517 in comparison to prior year's increase in fund balances of \$93,198. Revenues and other financing sources increased by \$289,034 primarily due to loan proceeds from the California Municipal Finance Authority to construct part of the Civic Center Facilities Master Plan. Expenditures and other financing uses increased by \$203,715, primarily due to an increase in transfers out for projects such as the Civic Center Facilities Master Plan construction, Central Utilities Facility (CUF) Infrastructure Upgrade, OC Animal Care Center, and Year-Round Emergency Shelter and Multi Service Center, as well as an increase in debt service costs for lease revenue bonds. Offsetting these increases were decreases in debt service costs for the Teeter Plan Obligation Notes, Series B and a decrease in construction costs for the Cow Camp Road and La Pata Avenue Gap Closure projects. There were also decreases in public ways and facilities expenditures for lower SCRIP fee credits paid to developers and lower bankruptcy related expenditures.

The following chart shows the fund balances, and percentage change in fund balances for governmental funds for the current and previous fiscal year:

COMPARATIVE FUND BALANCE			
Governmental Funds			
June 30, 2017 and 2016			
	2017	2016	Increase/(Decrease) %
General Fund	\$ 750,892	\$ 727,838	3 %
Flood Control District	438,552	431,668	2 %
Other Public Protection	143,297	145,810	(2)%
Mental Health Services Act	256,959	241,958	6 %
Other Governmental Funds	988,769	810,252	22 %
Total	\$ 2,578,469	\$ 2,357,526	9 %

Proprietary Funds

The proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Airport and Waste Management funds, which are considered to be major funds of the County, and Compressed Natural Gas fund. Internal Service Funds are combined into a single, aggregated presentation in the proprietary funds financial statements.

Comparative Analysis of Changes in Fund Net Position

The following table presents the enterprise funds' revenues, expenses, contributions, transfers, and changes in fund net position for the current and previous fiscal year:

ENTERPRISE FUNDS						
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, CONTRIBUTIONS, TRANSFERS, AND CHANGES IN FUND NET POSITION						
For the Years Ended June 30, 2017 and 2016						
	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Position	
	2017	2016	2017	2016	2017	2016
Airport	\$ 152,880	\$ 155,495	\$ 126,052	\$ 121,023	\$ 26,828	\$ 34,472
Waste Management	158,045	152,630	131,430	117,667	26,615	34,963
Compressed Natural Gas	326	345	517	534	(191)	(189)
Total	\$ 311,251	\$ 308,470	\$ 257,999	\$ 239,224	\$ 53,252	\$ 69,246

Airport

This fund accounts for major construction and self-supporting aviation related activities rendered at the Airport. At the end of FY 2016-17, there was an increase of \$26,828 in fund net position compared to the prior year increase of \$34,472. Revenues, contributions, and transfers decreased by \$2,615, primarily due to a decrease in capital grant contributions from the TSA for Terminal A & B Baggage Screening project. Expenses increased by \$5,029, primarily due to increased professional and specialized services and other S&S for projects such as terminal improvements.

Waste Management

This fund is used to account for the operation, expansion, closing of existing landfills, and the opening of new landfills. Monies are collected through gate tipping fees which users pay based primarily on tonnage. At the end of FY 2016-17, there was an increase of \$26,615 in fund net position compared to the prior year increase of \$34,963. Revenues, contributions, and transfers increased by \$5,415, primarily due to increased sanitation and landfill disposal tonnage and fees collected for waste, recycling and importation. Expenses and transfers increased by \$13,763, primarily due to increased pollution remediation expenses, taxes and other fees, and contributions to other agencies.

Compressed Natural Gas (CNG)

This fund is used to account for the operation and maintenance of the CNG facility. Revenues consist primarily of compressed natural gas sales to both the County and the public. At the end of FY 2016-17, there was a decrease of \$191 in fund net position compared to the prior year decrease of \$189. Revenues decreased by \$19 due to a decrease in CNG fuel sales and CNG/Propane tax refunds and credits received. Expenses decreased by \$17 due to a decrease in transfers out to reimburse the OC Flood Control District fund for the annual payment for the construction of the compressed natural gas station and a decrease in merchant fees charged for credit card purchases made by CNG. This decrease was offset by an increase in maintenance and repairs and higher federal excise taxes paid.

GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors involved in the variances between: 1) the Original Budget and the Final Budget; and 2) the Final Budget and the budgetary based Actual Amounts for the General Fund. In addition to the effects of expenditure-driven grants, the following information provides explanations for significant variances. Refer to the General Fund Budgetary Comparison Statement for a full budgetary comparison.

Original Revenue Budget vs. Final Revenue Budget

The following provides a summary of the primary factors attributable to the increase in the General Fund final budget revenues and other financing sources compared to the original budget revenues and other financing sources:

Fines, Forfeitures, and Penalties

- An increase of \$26,000 for a one-time litigation settlement over a failed replacement to the County's automated Property Tax Management System.

Intergovernmental

- An increase of \$5,932 in the Social Services Agency (SSA) due to the anticipation of more State and Federal allocations for various programs, such as Medi-Cal, CalFresh, In-Home Supportive Services Non-Medical Out-of-Home Care, and Work Incentive Nutrition Supplement.
- An increase of \$2,024 in the Trial Courts due to the anticipation of more State allocations for the Community Service Provider and Orange County Victim Services Grant.
- An increase of \$1,503 mainly due to the Community Corrections Partnership approval for disposition of unspent State allocations to partially reimburse the General Fund for the prior years for which 2011 Public Safety Realignment (AB 109) funding was insufficient and partially for anticipated reimbursement to the Local Law Enforcement agencies in the current fiscal year.

Transfers In

- An increase of \$11,584 primarily due to the anticipation of higher importation revenue which will be transferred from Waste Management Bankruptcy Recovery Plan to the 2005 Lease Revenue Refunding Bonds fund.
- An increase of \$6,000 in SSA from the SSA Wraparound fund to ensure sufficient appropriations are available to pay for eligible expenditures (the "Wraparound" label refers to the fact that services are intended to wrap around the child in a way that supports the child in all aspects of the child's life).
- An increase of \$3,883 in the Miscellaneous fund for the transfer of residual balances as a result of the 1996 Recovery Certificates of Participation Series A fund closure.
- An increase of \$2,891 in HCA for operations to cover anticipated increased eligible program costs for the OC Tobacco Settlement and Bioterrorism Center for Disease.
- An increase of \$2,067 to the Sheriff-Coroner to cover unanticipated costs for salaries, IT projects and S&S.

Final Revenue Budget vs. Actual Revenue Amounts

The following information provides a summary of the primary factors that caused significant variances in the General Fund actual revenues and other financing sources compared to the final revenue and other financing sources budget:

Transfers In

- A \$96,998 less than budgeted amount was primarily comprised of the following:
 - \$42,121 less revenue transferred to HCA due to lower claims in OC Tobacco Settlement Revenue and lower than expected drawdowns in the MHSA for reimbursements of eligible costs.
 - \$12,222 less revenue transferred to SSA due to less than anticipated Wraparound expenditures and less utility cost reimbursements for the Tustin Family Campus Program.
 - \$11,000 less revenue transferred from the Teeter Tax Loss Reserve fund as a result of redistributing the annual calculation of the excess Tax Loss Reserve requirement to the Teeter Debt Service fund.
 - \$7,185 less transfers of surplus from the Debt Service funds after principal, interest, and fund reserve requirements were met.
 - \$6,442 less revenue transferred to Sheriff-Coroner due to the deferral of the Automated Jail System and Field Based Reporting projects.
 - \$4,300 less revenue transferred to Property Tax System Centralized Operations and Maintenance Support due to delay in the Property Tax System re-platforming project to the next fiscal year.

Charges for Services

- A \$27,166 less than budgeted amount was primarily comprised of the following:
 - \$8,821 less received in Sheriff-Coroner from law enforcement service contracts with the Harbor Patrol, the Airport security, Mission Viejo, San Clemente, Lake Forest and other contract cities. This was offset with \$1,935 higher than budgeted revenues received from a service agreement with U.S. Immigration and Customs Enforcement.
 - \$7,241 less received in reimbursements from various County departments for charges for services provided by OC Public Works.
 - \$4,704 less received in revenue for HCA primarily related to an anticipated transfer in for Public Health Services which will not be completed until FY 2017-18, offset by an increase of \$3,674 in Federal Medi-Cal revenue.
 - \$4,610 less received in revenue for OC Community Resources primarily as a result of less contracts and less corresponding reimbursement revenues received by Homeless Prevention for the Year-Round Shelter and the Community Investment Division.
 - \$3,137 less received primarily due to less revenue from Traffic School and Bail.

Intergovernmental

- A \$22,521 less than budgeted amount was primarily comprised of the following:
 - \$40,707 less received in SSA primarily due to lower eligible expenditures for program claims as a result of higher than anticipated staffing vacancies, lower contract services expenditures, and delayed IT and facility projects.

- \$11,628 more received by the Sheriff-Coroner for AB 109 to recognize the full allocation of jail operation costs the County incurred.
- \$10,337 more received in HCA primarily related to the Federal Whole Person Care pilot program, State Realignment, and a one-time release of State mental health funds from a prior year liability account.

Original Expenditure Budget vs. Final Expenditure Budget

The following provides a brief summary of the primary factors attributable to the increase in the General Fund final budget expenditures and other financing uses compared to the original budget expenditures and other financing uses:

Miscellaneous

- An increase of \$27,729 primarily due to the anticipation of an increase in transfers out for the 800 MHz Countywide Coordinated Communications System, the Property Tax System re-platforming project, and the Teeter Series A Debt Service to properly align excess Tax Loss Reserves recorded at the end of FY 2016-17.

Sheriff-Coroner

- An increase of \$19,814 primarily due to unanticipated higher costs associated with providing law enforcement services to cities, traffic safety, forensic science, and homeland security. Also higher appropriations for equipment purchases were expected for a patrol ready helicopter, transportation vehicles to carry out law enforcement activities, and transfers to construction and facility development for parking lot, quartermaster, and James A. Musick security fence projects.

Social Services Agency

- An increase of \$16,752 for the anticipated higher costs for Medi-Cal, CalWORKs, In-Home Supportive Services, and various other State programs to fund mandated support services, as well as added positions to support new federal overtime regulations per the provisions of the Fair Labor Standards Act.

2005 Lease Revenue Refunding Bonds

- An increase of \$11,719 to transfer the anticipated increase in trash importation revenues that will be used to pay remaining bankruptcy related losses to County Administered Accounts in accordance with the Bankruptcy Second Amended Modified Plan of Adjustment.

Capital Projects

- A net increase of \$5,752 primarily due to the anticipation of an increase in transfers out to the Countywide Capital Projects fund for the re-budget of multi-year projects and various other projects, such as parking facilities for enhanced safety and security services in the Civic Center area, Coroner Biological Evidence Freezer, and Theo Lacy Kitchen Floor project.

Final Expenditure Budget vs. Actual Expenditure Amounts

In anticipation of the State's termination of the Coordinated Care Initiative (CCI) in FY 2017-18, which would result in an estimated \$38 million increase in County costs associated with the In-Home Supportive Services (IHSS) program, the County implemented a countywide hiring freeze and restricted discretionary expenditures in FY 2016-17. This measure has the impact of lowering actual S&EB within the General Fund. Other items provide a summary of the primary factors that caused significant variances.

Social Services Agency

- A \$64,942 lower than budgeted amount primarily due to 6.60% lower than budgeted caseloads for Foster Care Non-Federal Wraparound cases, savings in health insurance costs, and a hold on spending related to pending IHSS, as well as lower S&S costs due to less contracts, IT expenditures, and facility projects.

Health Care Agency

- A \$58,238 lower than budgeted amount primarily due to lower contract professional services expenditures in Behavioral Health Services, savings in contracted pharmaceutical expenditures related to the Affordable Care Act implementation, and decreased patient care costs in California Children's Services.

Sheriff-Coroner

- A total of \$14,216 lower than budgeted amount was primarily the result of lower than expected utility costs and lower expenditures for equipment.

Capital Projects

- A total of \$11,355 lower than budgeted amount was primarily the result of lower expenditures for various structure and improvement projects, such as the replacement of deteriorated ductwork and variable-air-volume boxes throughout the Gates Building, replacement of chilled-water cooling coils located on the roof of the Gates Building, and the Year-Round Emergency Shelter and Multi Service Center.

Miscellaneous

- A total of \$10,493 lower than budgeted primarily due to annual leave payouts for small departments that were budgeted but not used, potential union negotiation impacts that were budgeted but not utilized, and contingency appropriations that were budgeted but not fully utilized in FY 2016-17.

OC Community Resources

- A total of \$10,470 lower than budgeted amount primarily due to lower contract and administrative expenditures combined for programs with the Community Investment, Office on Aging, and Veterans Services programs, less operating costs spent for the Year-Round Emergency Shelter and Multi Service Center, Santa Ana Courtyard Transitional Homeless Center initiatives, and for training, meetings, and tuition reimbursement.

OC Public Works

- A total of \$9,069 lower than budgeted amount primarily due to lower expenditures in areas such as janitorial services and supplies, maintenance and improvements, OCIT services support, and garage expenditures for parking.

Property Tax System and Centralized Operations & Maintenance Support

- A total of \$4,684 lower than budgeted amount due to the postponement of the Property Tax System re-platforming project to the next fiscal year.

District Attorney

- A total of \$4,539 lower than budgeted amount was primarily the result of cost containment efforts by the department which reduced expenditures for S&S and IT equipment purchases.

OC Watersheds

- A total of \$4,269 lower than budgeted amount was primarily due to the result of a reduction in contract services for environmental monitoring and water quality compliance.

Capital Assets

At June 30, 2017, the County's capital assets for both the governmental and business-type activities amounted to \$3,831,379, net of accumulated depreciation. The investment in capital assets includes land, structures and improvements, land improvements, equipment, software, infrastructure, intangible in progress, land use rights, and construction in progress. The total increase in the County's investment in capital assets for the current year was 5%.

Capital assets for the governmental and business-type activities are presented below to illustrate changes:

CAPITAL ASSETS (Net of Depreciation) June 30, 2017 and 2016							
	Governmental		Business-Type		Total		Increase
	Activities		Activities				(Decrease)
	2017	2016	2017	2016	2017	2016	% Change
Land	\$ 839,273	\$ 834,406	\$ 37,842	\$ 37,842	\$ 877,115	\$ 872,248	1 %
Structures and Improvements	552,210	572,331	481,227	499,151	1,033,437	1,071,482	(4)%
Land Improvements	3,811	2,436	--	--	3,811	2,436	56 %
Equipment	139,846	109,997	25,589	23,898	165,435	133,895	24 %
Software	44,208	38,713	2,891	1,126	47,099	39,839	18 %
Infrastructure	1,165,681	1,121,121	246,003	244,289	1,411,684	1,365,410	3 %
Intangible in Progress	5,562	3,453	255	2,068	5,817	5,521	5 %
Land Use Rights	7,602	7,602	--	--	7,602	7,602	--
Construction in Progress	175,447	118,864	103,932	40,555	279,379	159,419	75 %
Total	\$ 2,933,640	\$ 2,808,923	\$ 897,739	\$ 848,929	\$ 3,831,379	\$ 3,657,852	5 %

The following lists the significant capital asset expenditures in FY 2016-17:

General Fund

- \$3,821 for the purchase of an office building for Probation
- \$3,026 for Sheriff-Coroner upgrade of video management system and services, purchase of portable devices, and integrated control systems for patrol vehicles
- \$1,635 for the purchase of an Airbus helicopter for Sheriff-Coroner
- \$1,376 for the construction costs associated with the Year-Round Emergency Shelter and Multi Service Center

Flood Control District

- \$5,152 for the Greenville-Banning Channel Improvements project
- \$4,676 for the Santa Ana Dredging project
- \$2,016 for the Edinger Storm Channel Improvements project
- \$1,568 for the purchase of vehicles such as trailers, ten wheel haul trucks, and street sweepers
- \$1,542 for the Glassell Yard Campus Stormwater Low Impact Development Retrofit project
- \$1,465 for the Fullerton Creek Channel Project

Other Public Protection

- \$11,500 for the purchase of communications equipment
- \$9,729 for the replacement of obsolete radio equipment

Other Governmental Funds

- \$36,304 for the CUF Infrastructure Upgrade project
- \$19,212 for the new OC Animal Care Center construction
- \$14,449 for the La Pata Avenue Gap Closure/Camino Del Rio Extension construction
- \$3,436 for the Dana Point Harbor Revitalization
- \$2,641 for the Riley Wilderness Park Wagon Wheel creek restoration
- \$3,693 for the James A. Musick Facility Jail Expansion project

Airport

- \$51,630 for the Terminal Improvements project
- \$2,895 for the Common Use Passenger Processing System Upgrade project
- \$1,339 for the lighting systems upgrade project

Waste Management

- \$11,736 for the Frank R. Bowerman Landfill Soil Buttress and Composite Liner Construction project
- \$11,308 for the Olinda Alpha Landfill Front Slope Improvement project
- \$4,009 for the purchase of heavy equipment at the north regional landfill
- \$2,106 for the purchase of heavy equipment at the central regional landfill

Internal Service Funds

- \$12,270 for the purchase of vehicles for OC Fleet Services

Additional information on the County's capital assets can be found in Note 4, Changes in Capital Assets.

Commitments for Capital Expenditures

At the end of FY 2016-17, significant commitments for capital expenditures included the following:

- \$154,618 for the Civic Center Facilities Master Plan project
- \$42,128 for the Airport's Terminal Improvements project
- \$19,015 for the Frank R. Bowerman Landfill Soil Buttress and Liner Construction project
- \$17,391 for the Edinger Avenue Bridge Replacement Over Bolsa Chica Channel project
- \$13,159 for the Olinda Front Face Improvement project
- \$12,339 for the La Pata Avenue Gap Closure/Widening, Phase I & II project
- \$12,002 for the San Juan Creek Channel Phase IV-3700' to 6100' U/S Stonehill Dr project
- \$9,923 for the Fullerton Creek Channel, D/S Western Ave to U/S Beach Blvd project
- \$7,945 for the purchase of Law enforcement and other vehicles
- \$6,426 for the CUF Infrastructure Upgrade project
- \$5,925 for the Santa Ana River Interceptor Line Construction
- \$4,915 for the purchase of an Airbus helicopter
- \$3,483 for the Dana Point Harbor Revitalization project
- \$3,454 for the Airport's Paularino Gate Improvements project

Additional information on the County's commitments for capital expenditures can be found in Note 14, Construction and Other Significant Commitments.

Long-Term Debt

At June 30, 2017, the County had total debt obligations outstanding of \$362,210 excluding long-term liabilities such as compensated employee absences payable, Civic Center Facilities Master Plan financing, and capital lease obligations payable. During the year, the County's outstanding debt obligations decreased by 21%, which is primarily attributable to the retirement of \$136,187 of bond obligations, offset by \$31,536 in additional Teeter Plan Notes and \$6,070 in additional interest accretion on capital appreciation bonds (CABs).

The County is limited by law in issuing general obligation bonded debt to 1.25 percent of the last equalized assessment property tax roll. However, this does not affect the financing of any of the County's planned facilities or services. As of the end of the fiscal year, the County had no net general obligation bonded debt. The County's debt obligations are in the form of bonds, certificates of participation (COPs), notes, and other forms of debt not covered by the general obligation bonded debt limitation.

The following table summarizes the County's long-term debt obligations at June 30, 2017:

LONG-TERM DEBT OBLIGATIONS							
June 30, 2017 and 2016							
	Governmental Activities		Business-Type Activities		Total	2016	(Decrease) % Change
	2017	2016	2017	2016			
Revenue Bonds	\$ 74,300	\$ 122,870	\$ 189,539	\$ 197,069	\$ 263,839	\$ 319,939	(18)%
Certificates of Participation	811	1,262	--	--	811	1,262	(36)%
Pension Obligation Bonds	11,220	19,140	--	--	11,220	19,140	(41)%
Teeter Plan Notes	27,868	30,191	--	--	27,868	30,191	(8)%
Add: Premium/(Discount) on Bonds Payable	14,052	18,275	(2,221)	(1,942)	11,831	16,333	(28)%
Add: Interest Accretion on CABs	46,641	73,926	--	--	46,641	73,926	(37)%
Total	\$ 174,892	\$ 265,664	\$ 187,318	\$ 195,127	\$ 362,210	\$ 460,791	(21)%

The following summarizes the County's long-term debt issuance during FY 2016-17:

Teeter Plan Notes On July 13, 2016, the County issued an additional \$31,536 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of \$61,727. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll.

On December 29, 2016 and June 27, 2017, the County used all of the accumulated base taxes to redeem \$24,364 and \$9,495, respectively, of the Teeter Plan Notes. As of June 30, 2017, the outstanding principal amount of the Teeter Plan Notes was \$27,868.

Additional information on the County's long-term debt activity can be found in Note 10, Long-Term Obligations, and Note 20, Subsequent Events.

Bond Ratings

The County maintained its Issuer Credit Rating (ICR) of Aa1 from Moody's Investors Service (Moody's), AA+ from Standard & Poor's Global Ratings (S&P), and AA+ Issuer Default Rating (IDR) from Fitch Ratings. The IDR was previously referred to as an implied General Obligation (GO) Bond rating. The implied rating was not reported because the County does not have any general obligation bonds outstanding. In FY 2016-17, the following changes occurred in the County's underlying debt:

On October 4, 2016, Moody's upgraded the ratings on the County's 2005 Lease Revenue Bonds, 2006 Lease Revenue Bonds, 2012 Lease Revenue Bonds, and 1991 Parking COPs to Aa2 from Aa3.

The County has the following long-term underlying debt ratings:

LONG-TERM DEBT RATINGS			
June 30, 2017			
	Standard & Poor's	Moody's	Fitch
2005 Lease Revenue Bonds	AA	Aa2	AA
2006 Lease Revenue Bonds	AA	Aa2	AA
2012 Lease Revenue Bonds	AA	Aa2	NR
2016 Lease Revenue Bonds	AA	NR	NR
1991 Parking COPs	NR	Aa2	NR
Teeter Plan Notes	NR	NR	NR
1997A Pension Obligation Bonds	NR	Aa1	AA
Airport 2009A Revenue Bonds	AA-	Aa3	AA-
Airport 2009B Revenue Bonds	AA-	Aa3	AA-

OTHER POTENTIALLY SIGNIFICANT MATTERS

The County's management has determined that the following are significant matters that have a potential impact on the County's financial position or changes in financial position:

State Legislation and Budget

In-Home Supportive Services (IHSS)

On June 28, 2017, the State budget was enacted and included State General Fund to mitigate increases to counties for the IHSS program associated with the end of the Coordinated Care Initiative. The increased cost may constrain the ability to fully fund current and future operations; however, actual impacts to programs and services is still being evaluated. The County's CEO is participating in a state-wide working group developing options for reform to enhance program sustainability and address long-term impacts to counties.

Orange County Vehicle License Fees (VLF)

On June 30, 2011, the Governor signed SB 89, which redirected the County's annual receipt of approximately \$49,000 in VLF revenue (Revenue & Taxation Code Section 11001.5(a)(1) and 11005(a)).

All counties in California receive property taxes in lieu of VLF pursuant to Section 97.70 of the Revenue and Taxation Code as a result of the VLF for property tax swap of 2004. However, in 2004, the County's share of property tax in lieu of VLF, which is also known as its "vehicle license fee adjustment amount (VLFAA)," was reduced by approximately \$54,000. This reduction was to offset the amount of VLF the County received until the passage of SB 89, and that had been pledged for the service of bankruptcy related indebtedness at the time that Section 97.70 was adopted in 2004.

The elimination of the County's VLF revenue required the Auditor-Controller to calculate the County's allocation of property taxes in lieu of VLF in a manner consistent with the other 57 counties in the State. Due to the growth in property valuation since 2005, when the VLF Swap was enacted, the calculated property tax in lieu of VLF was \$73,500 for FY 2012-13. This amount was included in the County's budget for FY 2011-12 and 2012-13. In an attempt to deprive the County not only of the \$54,000 in VLF revenue, but also the \$73,500 of annual property tax revenue that was legally owed, the State Department of Finance initiated litigation to challenge the County's calculation of the VLFAA. Ultimately, the Court ruled in favor of the State.

The Court's ruling resulted in the loss of the \$73,500 VLFAA revenue and a requirement for the County to repay \$150,000 to the State (\$147,000 retained in FYs 2011-12 and 2012-13, plus interest). On September 27, 2013, Assembly Bill (AB) 701 was signed by the Governor to resolve the dispute between the State and the County. AB 701 provides for an additional \$53,000 in annual VLFAA beginning in FY 2013-14, including growth, in lieu of the \$50,000 in property tax revenue previously provided by SB 8 X3, which was a flat amount with no growth. AB 701 provides stability for the County by securing the property tax revenues, including growth, and by allowing for repayment of the \$150,000 over five years. The \$150,000 due to the State was formally set aside in reserve in the FY 2013-14 First Quarter Budget Report. As of June 30, 2017, the remaining obligation to the State is \$105,000.

Long-Term Financial Planning

Funding Progress of the County's Retirement System (System)

The funded ratio of the System is a measure of the ability of the System to make obligated payments to current retirees and future retirees. The funded ratio (valuation value of plan assets divided by actuarial accrued liability) dropped from 82.76% in 2002 to 70.85% in 2004. Since 2004, the funded ratio increased to 74.08% in 2007 then dropped to 62.52% in 2012. As of December 31, 2016, the funded ratio has increased to 73.06%. Despite the increase in funding ratio resulting from 2016 actual market returns greater than expected, the System's Unfunded Actuarial Accrued Liability (UAAL) has increased primarily due to the following factors: (1) higher than expected salary increases, (2) unfavorable investment returns (after smoothing), and (3) actual contributions less than expected, offset somewhat by (4) lower than expected cost of living adjustment (COLA) increases, and (5) additional UAAL payments made by certain employers.

On November 4, 2008, the voters in Orange County approved Measure J, which requires voter approval for any future pension benefit enhancements. The County carefully monitors the activities at OCERS and regularly provides input to OCERS management, as well as providing input at OCERS Board meetings as deemed appropriate.

Reduction in OCERS Assumed Investment Rate of Return

The assumed investment rate of return is the rate of investment yield that the Plan will earn over the long-term future.

On December 5, 2012, the OCERS Board voted to reduce the assumed investment rate of return from 7.75% to 7.25% effective July 2015. On October 16, 2017, the OCERS Board adopted a reduction in the assumed investment rate of return to 7.00% effective July 1, 2019. The assumed rate of return reduction had the impact of increasing contribution rates of members and plan sponsors.

OCERS Actuarial Funding Policy (Amortization)

On November 18, 2013, the OCERS Board adopted the actuarial funding policy to reduce the amortization period for future UAAL from 30 years to 20 years, which included combining and re-amortizing the entire outstanding UAAL balance as of December 31, 2012, over a single 20-year period. This will allow for future UAAL to be paid off in a shorter period of time and will ultimately reduce retirement rates and costs over time.

OCERS Actuarial Assumptions

The 2014 through 2016 valuations were impacted by economic assumption changes, which flowed from the 2014 Triennial Study of Actuarial Assumptions. These changes, adopted by the OCERS Board on September 23, 2014, included a decrease in the inflation assumption from 3.25% to 3.00% per annum. As a result of the 2017 Triennial Study of Actuarial Assumptions, the OCERS Board, on October 16, 2017, adopted a further decrease in the inflation assumption to 2.75%, which will be effective with the 2017 valuation.

Requests for Information

We hope that the preceding information provided a general overview of the County's overall financial status. For questions or comments concerning information contained in this report, please contact the Auditor-Controller's Office, County of Orange, 12 Civic Center Plaza, Santa Ana, CA 92701 or you can access our website at www.ac.ocgov.com.





	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFDOC	Proprietary CalOptima
ASSETS					
Cash and Cash Equivalents	\$ 2,387,012	\$ 615,734	\$ 2,992,746	\$ 47,449	\$ 527,773
Restricted Cash and Cash Equivalents	355,760	156,941	512,701	--	300
Investments	67,557	39,300	106,857	--	1,599,854
Deposits in-Lieu of Cash	25	46,903	46,928	--	--
Internal Balances	(9,295)	9,295	--	--	--
Due from Component Unit	339	--	339	--	--
Due from Primary Government	--	--	--	1	--
Prepaid Costs	322,327	4,355	326,682	151	26,385
Inventory of Materials and Supplies	1,910	--	1,910	--	--
Receivables, Net of Allowances					
Accounts	8,566	17,937	26,503	2	522,793
Taxes	27,458	--	27,458	2,425	--
Interest/Dividends	5,658	1,665	7,323	42	--
Deposits	4,821	100	4,921	5,231	--
Advances	40	--	40	--	--
Due from Other Governmental Agencies, Net	410,849	3,358	414,207	1,048	--
Notes Receivable, Net	27,572	--	27,572	--	--
Net Other Postemployment Benefits	44,858	--	44,858	--	--
Capital Assets					
Net Depreciable/Amortizable	1,027,894	142,029	1,169,913	--	6,579
Depreciable/Amortizable, Net	1,905,756	755,710	2,661,466	--	47,722
Total Capital Assets	2,933,640	897,739	3,831,379	--	54,301
Total Assets	6,569,107	1,793,327	8,362,434	56,349	2,731,406
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	1,516	--	1,516	--	--
Deferred Outflows of Resources Related to Pension	821,293	17,251	838,544	567	11,577
Total Deferred Outflows of Resources	822,809	17,251	840,060	567	11,577

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFDOC	Proprietary CalOptima
LIABILITIES					
Accounts Payable	\$ 117,575	\$ 31,665	\$ 149,240	\$ 2,818	\$ 9,824
Salaries and Employee Benefits Payable	46,825	1,020	47,845	27	10,101
Retainage Payable	5,720	1,102	6,822	1,261	--
Interest Payable	3,269	4,910	8,179	--	--
Deposits from Others	50,569	48,405	98,974	--	--
Due to Primary Government	--	--	--	339	--
Due to Component Unit	1	--	1	--	--
Due to Other Governmental Agencies	31,536	3,597	35,133	3,818	198,205
Unearned Revenue	65,906	4,120	70,026	--	102,298
Short-Term Bonds Payable	375,540	--	375,540	--	--
Long-Term Liabilities					
Due Within One Year					
SARI Line Loans	912	--	912	--	--
Estimated Liability - Litigation and Claims	57,400	--	57,400	--	--
Interest Accretion on Capital Appreciation Bonds Payable	14,176	--	14,176	--	--
Insurance Claims Payable	54,026	--	54,026	--	--
Medical Claims Payable	--	--	--	--	1,080,027
Capitation and Withholds	--	--	--	--	580,840
Compensated Employee Absences Payable	99,957	2,362	102,319	38	--
Capital Lease Obligations Payable	12,697	--	12,697	--	--
Bonds Payable	21,826	35,090	56,916	--	--
Pollution Remediation Obligation	--	570	570	--	--
Intangible Assets Obligations Payable	194	110	304	--	--
Landfill Site Closure/Postclosure Liability	--	2,613	2,613	--	--
Due in More than One Year					
SARI Line Loans	22,988	--	22,988	--	--
Civic Center Facilities Master Plan Loan	175,340	--	175,340	--	--
Estimated Liability - Litigation and Claims	55,000	--	55,000	--	--
Interest Accretion on Capital Appreciation Bonds Payable	32,465	--	32,465	--	--
Insurance Claims Payable	148,145	--	148,145	--	--
Compensated Employee Absences Payable	86,649	2,299	88,948	9	--
Arbitrage Rebate Payable	365	--	365	--	--
Capital Lease Obligations Payable	43,134	--	43,134	--	--
Notes Payable	27,868	--	27,868	--	--
Bonds Payable	78,557	152,228	230,785	--	--
Pollution Remediation Obligation	--	16,114	16,114	--	--
Intangible Assets Obligations Payable	1,629	44	1,673	--	--
Landfill Site Closure/Postclosure Liability	--	155,868	155,868	--	--
Net Pension Liability	--	--	--	--	15,431
Orange County Employees Retirement System	3,957,838	86,800	4,044,638	3,158	--
Extra-Help Defined Benefit Plan	1,952	43	1,995	--	--
Net Other Postemployment Benefit Obligation	--	--	--	--	28,586
Total Liabilities	5,590,059	548,960	6,139,019	11,468	2,025,312
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to Pension	546,666	11,658	558,324	1,413	1,340
Total Deferred Inflows of Resources	546,666	11,658	558,324	1,413	1,340
NET POSITION					
Net Investment in Capital Assets	2,813,296	708,286	3,521,582	--	54,104
Restricted for:					
Expendable					
Pension Benefits	125,876	--	125,876	--	--
Capital Projects	164,400	--	164,400	--	--
Debt Service	33,409	36,181	69,590	--	--
Legally Segregated for Grants and Other Purposes	1,192,827	--	1,192,827	--	--
Regional Park Endowment	145	--	145	--	--
CalOptima	--	--	--	--	98,445
Passenger Facility Charges Approved Capital Projects	--	2,775	2,775	--	--
Capital Projects - Replacements and Renewals	--	1,000	1,000	--	--
Landfill Closure/Postclosure	--	28,962	28,962	--	--
Landfill Corrective Action	--	6,276	6,276	--	--
Wetland	--	879	879	--	--
Prima Deshecha/La Pala Closure	--	104	104	--	--
Nonexpendable					
Regional Park Endowment	196	--	196	--	--
Unrestricted (Deficit)	(3,074,958)	463,495	(2,611,463)	44,035	563,782
Total Net Position	\$ 1,255,191	\$ 1,249,960	\$ 2,505,151	\$ 44,035	\$ 716,331

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Functions/Programs	Expenses		Program Revenues		
	Direct Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government					
Governmental Activities					
General Government	\$ 239,113	\$ (52,773)	\$ 41,988	\$ 12,874	\$ 95,199
Public Protection	1,453,864	31,273	307,630	566,760	10,171
Public Ways and Facilities	100,505	(2,577)	67,796	64,603	7,292
Health and Sanitation	586,114	7,503	117,170	434,607	--
Public Assistance	1,085,768	11,559	40,589	987,695	618
Education	43,598	912	1,274	262	--
Recreation and Cultural Services	110,552	2,197	47,763	976	201
Interest on Long-Term Debt	17,544	--	--	--	--
Total Governmental Activities	<u>3,637,058</u>	<u>(1,906)</u>	<u>624,210</u>	<u>2,067,777</u>	<u>113,481</u>
Business-Type Activities					
Airport	124,610	912	150,260	51	270
Waste Management	104,170	979	153,642	18	1,558
Compressed Natural Gas	352	15	248	--	--
Total Business-Type Activities	<u>229,132</u>	<u>1,906</u>	<u>304,350</u>	<u>69</u>	<u>1,828</u>
Total Primary Government	<u>\$ 3,866,190</u>	<u>\$ --</u>	<u>\$ 928,560</u>	<u>\$ 2,067,846</u>	<u>\$ 115,309</u>
Component Units					
Children and Families					
Commission of Orange County	\$ 34,394	\$ --	\$ --	\$ 26,233	\$ --
CalOptima	3,513,349	--	3,551,420	15,766	--
Total Component Units	<u>\$ 3,547,743</u>	<u>\$ --</u>	<u>\$ 3,551,420</u>	<u>\$ 41,999</u>	<u>\$ --</u>
General Revenues					
Taxes					
Property Taxes, Levied for General Fund				287,212	--
Property Taxes, Levied for Flood Control District				98,563	--
Property Taxes, Levied for OC Parks				76,493	--
Property Taxes, Levied for OC Public Libraries				47,804	--
Property Taxes in-Lieu of Motor Vehicle License Fees				351,011	--
Other Taxes				98,216	78
Grants and Contributions Not Restricted to Specific Programs				8,434	--
State Allocation of Motor Vehicle License Fees				1,234	--
Unrestricted Investment Earnings				19,760	3,497
Miscellaneous				80,229	1,386
Transfers				25,922	(25,922)
Total General Revenues and Transfers				<u>1,094,878</u>	<u>(20,961)</u>
Change in Net Position				265,194	54,248
Net Position - Beginning of Year				989,997	1,195,712
Net Position - End of Year				<u>\$ 1,255,191</u>	<u>\$ 1,249,960</u>

Net (Expense) Revenue and Change in Net Position					
Governmental Activities	Primary Government		Component Units		Functions/Programs
	Business-Type Activities	Total	Governmental CFDOC	Proprietary CalOptima	
\$ (36,279)	\$ --	\$ (36,279)	\$ --	\$ --	Primary Government
(600,576)	--	(600,576)	--	--	Governmental Activities
41,763	--	41,763	--	--	General Government
(41,840)	--	(41,840)	--	--	Public Protection
(68,425)	--	(68,425)	--	--	Public Ways and Facilities
(42,974)	--	(42,974)	--	--	Health and Sanitation
(63,809)	--	(63,809)	--	--	Public Assistance
(17,544)	--	(17,544)	--	--	Education
(829,684)	--	(829,684)	--	--	Recreation and Cultural Services
					Interest on Long-Term Debt
					Total Governmental Activities
--	25,059	25,059	--	--	Business-Type Activities
--	50,269	50,269	--	--	Airport
--	(119)	(119)	--	--	Waste Management
--	75,209	75,209	--	--	Compressed Natural Gas
(829,684)	75,209	(754,475)	--	--	Total Business-Type Activities
					Total Primary Government
			(8,161)	--	Component Units
			--	53,837	Children and Families
			(8,161)	53,837	Commission of Orange County
					CalOptima
					Total Component Units
					General Revenues
					Taxes
		287,212	--	--	Property Taxes, Levied for General Fund
		98,563	--	--	Property Taxes, Levied for Flood Control District
		76,493	--	--	Property Taxes, Levied for OC Parks
		47,804	--	--	Property Taxes, Levied for OC Public Libraries
		351,011	--	--	Property Taxes in-Lieu of Motor Vehicle License Fees
		98,216	78	--	Other Taxes
		8,434	--	--	Grants and Contributions Not Restricted to Specific Programs
		1,234	--	--	State Allocation of Motor Vehicle License Fees
		19,760	3,497	--	Unrestricted Investment Earnings
		80,229	1,386	27	Miscellaneous
		25,922	(25,922)	--	Transfers
		1,094,878	(20,961)	574	Total General Revenues and Transfers
		265,194	54,248	(7,587)	Change in Net Position
		989,997	1,195,712	51,622	Net Position - Beginning of Year
		\$ 1,255,191	\$ 1,249,960	\$ 44,035	Net Position - End of Year

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	General Fund	Flood Control District	Other Public Protection
ASSETS			
Pooled Cash/Investments	\$ 531,226	\$ 460,016	\$ 179,285
Cash/Cash Equivalents	--	--	12,188
Imprest Cash Funds	1,834	--	--
Restricted Cash and Investments with Trustee	1	--	--
Investments	67,557	--	--
Deposits In-Lieu of Cash	--	--	--
Receivables			
Accounts	9,590	635	176
Taxes	5,701	1,460	--
Interest/Dividends	1,794	1,022	436
Deposits	524	2,149	--
Advances	40	--	--
Allowance for Uncollectible Receivables	(4,077)	(249)	--
Due from Other Funds	104,918	2,802	3,608
Due from Component Unit	339	--	--
Due from Other Governmental Agencies, Net	330,367	30,137	2,338
Inventory of Materials and Supplies	838	346	317
Prepaid Costs	367,934	4,877	1,228
Advances to Other Funds	3,800	--	--
Notes Receivable, Net	--	--	--
Total Assets	<u>\$ 1,422,386</u>	<u>\$ 503,195</u>	<u>\$ 199,576</u>
LIABILITIES			
Accounts Payable	\$ 47,903	\$ 9,028	\$ 12,913
Retainage Payable	1,750	1,172	1
Salaries and Employee Benefits Payable	43,688	603	149
Interest Payable	2,376	--	--
Deposits from Others	1,534	8,837	20,975
Due to Other Funds	43,725	10,431	15,307
Due to Component Unit	--	--	--
Due to Other Governmental Agencies	14,634	1	5,404
Estimated Litigation and Claims	--	7,400	--
Unearned Revenue	38,668	786	675
Bonds Payable	375,540	--	--
Advances from Other Funds	784	--	--
Total Liabilities	<u>570,602</u>	<u>38,258</u>	<u>55,424</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Intergovernmental Revenues	58,651	25,118	855
Unavailable Revenue - Senate Bill 90 Mandated Claims, Net	24,637	--	--
Unavailable Revenue - Property Taxes	8,364	1,267	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--
Unavailable Revenue - Other	9,240	--	--
Total Deferred Inflows of Resources	<u>100,892</u>	<u>26,385</u>	<u>855</u>
FUND BALANCES			
Nonspendable	372,572	5,223	1,545
Restricted	39,581	433,329	140,238
Assigned	265,293	--	1,514
Unassigned	73,446	--	--
Total Fund Balances	<u>750,892</u>	<u>438,552</u>	<u>143,297</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,422,386</u>	<u>\$ 503,195</u>	<u>\$ 199,576</u>

Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
\$ 260,491	\$ 684,314	\$ 2,115,332
--	--	12,188
--	--	1,834
--	355,754	355,755
--	--	67,557
--	25	25
--	2,502	12,903
--	20,297	27,458
613	1,335	5,200
--	2,148	4,821
--	--	40
--	(96)	(4,422)
--	37,963	149,291
--	--	339
15,854	31,101	409,797
--	14,733	1,501
--	--	388,772
--	--	3,800
--	27,572	27,572
<u>\$ 276,958</u>	<u>\$ 1,177,648</u>	<u>\$ 3,579,763</u>
\$ --	\$ 26,475	\$ 96,319
--	2,785	5,708
--	1,917	46,357
--	34	2,410
--	19,223	50,569
15,288	60,321	145,072
--	1	1
248	11,236	31,523
--	--	7,400
4,463	21,314	65,906
--	--	375,540
--	32,640	33,424
<u>19,999</u>	<u>175,946</u>	<u>860,229</u>
--	11,015	95,639
--	--	24,637
--	1,390	11,021
--	255	255
--	273	9,513
<u>--</u>	<u>12,933</u>	<u>141,065</u>
--	14,929	394,269
256,959	804,882	1,674,989
--	168,958	435,765
--	--	73,446
<u>256,959</u>	<u>988,769</u>	<u>2,578,469</u>
\$ 276,958	\$ 1,177,648	\$ 3,579,763

ASSETS		
Pooled Cash/Investments		
Cash/Cash Equivalents		
Imprest Cash Funds		
Restricted Cash and Investments with Trustee		
Investments		
Deposits In-Lieu of Cash		
Receivables		
Accounts		
Taxes		
Interest/Dividends		
Deposits		
Advances		
Allowance for Uncollectible Receivables		
Due from Other Funds		
Due from Component Unit		
Due from Other Governmental Agencies, Net		
Inventory of Materials and Supplies		
Prepaid Costs		
Advances to Other Funds		
Notes Receivable, Net		
Total Assets		
LIABILITIES		
Accounts Payable		
Retainage Payable		
Salaries and Employee Benefits Payable		
Interest Payable		
Deposits from Others		
Due to Other Funds		
Due to Component Unit		
Due to Other Governmental Agencies		
Estimated Litigation and Claims		
Unearned Revenue		
Bonds Payable		
Advances from Other Funds		
Total Liabilities		
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Intergovernmental Revenues		
Unavailable Revenue - Senate Bill 90 Mandated Claims, Net		
Unavailable Revenue - Property Taxes		
Unavailable Revenue - Long-Term Notes Receivables		
Unavailable Revenue - Other		
Total Deferred Inflows of Resources		
FUND BALANCES		
Nonspendable		
Restricted		
Assigned		
Unassigned		
Total Fund Balances		
Total Liabilities, Deferred Inflows of Resources and Fund Balances		

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The governmental funds Balance Sheet includes a reconciliation between fund balances – total governmental funds and net position – governmental activities as reported in the government-wide Statement of Net Position. The difference in fund balances of (\$1,323,278) is due to the long-term economic focus of the Statement of Net Position versus the short-term economic focus of the governmental funds. The components of the difference are described below.

Total Fund Balances - Governmental Funds \$ 2,578,469

Capital assets used in the operations of the County are not reported in the governmental funds financial statements:

Land	839,273	
Structures and Improvements	1,235,290	
Equipment	324,600	
Software	122,549	
Infrastructure	1,760,496	
Land Use Rights	7,602	
Land Improvements	4,246	
Construction in Progress	173,601	
Intangible in Progress	5,497	
Accumulated Depreciation/Amortization	<u>(1,598,108)</u>	2,875,046

Other assets used in governmental activities do not consume current financial resources, and therefore, are not reported in the governmental funds:

Prepaid Pension Investment with OCERS	125,876	
Prepaid Bond Insurance	<u>71</u>	125,947

The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position. 47,444

Deferred outflows of resources are similar to assets, but they do not meet the definition of an asset at June 30, 2017. When all the recognition criteria are met, the deferred outflows of resources will become an expense. The counterpart to deferred outflows of resources are deferred inflows of resources, which are not technically liabilities at June 30, 2017. When all recognition criteria are met, the deferred inflows of resources will become revenue or an increase to net position. The County reports the different types of deferred outflows and inflows of resources in the Statement of Net Position as follows:

Deferred Outflows of Resources:		
Deferred Charge on Refunding		1,516
Employer retirement contribution subsequent to measurement date and deferred recognition of changes to the net pension liability		618,654

Reclassification of prepaid pension contribution from prepaid costs to deferred outflows of resources for the portion to be recognized in the next measurement period. Refer to Note 17, Retirement Plans for further information.

Prepaid Pension Contribution	(194,218)	
Deferred Outflows of Resources		194,218

Deferred Inflows of Resources:

Deferred Inflows of Resources that have been earned but not available to finance expenditures in the current period	141,065
Deferred Inflows of Resources Related to Pension	<u>(541,059)</u>

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Bonds and COPs Payable, Net	(100,383)	
SARI Line Loans	(23,900)	
Civic Center Facilities Master Plan Loan	(175,340)	
Teeter Plan Notes Payable	(27,868)	
Compensated Employee Absences Payable	(184,344)	
Capital Lease Obligations Payable	(48,931)	
Intangible Assets Obligations Payable	(1,823)	
Arbitrage Rebate Payable	(365)	
Interest Payable on Bonds	(859)	
Interest Accretion on Capital Appreciation Bonds	(46,641)	
Estimated Liability - Litigation and Claims	(105,000)	
County's Net Pension Liability	<u>(3,921,275)</u>	(4,636,729)

GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" requires an employer to record a net Other Postemployment Benefits (OPEB) asset for the difference between the annual required contribution (ARC) and the amounts actually contributed to the OPEB Plan.

44,838

Net Position of Governmental Activities \$ 1,255,191

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	General Fund	Flood Control District	Other Public Protection
Revenues			
Taxes	\$ 681,836	\$ 108,050	\$ --
Licenses, Permits, and Franchises	25,362	579	424
Fines, Forfeitures, and Penalties	67,648	13	4,010
Use of Money and Property	6,733	3,298	3,836
Intergovernmental	1,613,969	18,435	27,795
Charges for Services	442,591	14,771	17,880
Other	17,790	5,842	8,551
Total Revenues	2,855,929	150,988	62,496
Expenditures			
Current			
General Government	195,250	--	--
Public Protection	1,260,068	111,708	29,078
Public Ways and Facilities	30,633	--	--
Health and Sanitation	577,050	--	--
Public Assistance	891,309	--	--
Education	--	--	--
Recreation and Cultural Services	--	--	--
Capital Outlay	23,532	24,643	22,683
Debt Service			
Principal Retirement	5,129	4,177	--
Interest	8,564	8	--
Total Expenditures	2,991,535	140,536	51,761
Excess (Deficit) of Revenues Over Expenditures	(135,606)	10,452	10,735
Other Financing Sources (Uses)			
Transfers In	311,968	365	16,578
Transfers Out	(153,308)	(3,933)	(29,826)
Debt Issued	--	--	--
Loan Proceeds	--	--	--
Total Other Financing Sources (Uses)	158,660	(3,568)	(13,248)
Net Change in Fund Balances	23,054	6,884	(2,513)
Fund Balances - Beginning of Year	727,838	431,668	145,810
Fund Balances - End of Year	\$ 750,892	\$ 438,552	\$ 143,297

Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 133,675	\$ 923,561
--	1,844	28,209
--	25,279	96,950
1,247	53,384	68,498
151,829	359,985	2,172,013
--	55,641	530,883
--	31,766	63,949
153,076	661,574	3,884,063
--	72,413	267,663
--	840	1,401,694
--	66,536	97,169
161	1,561	578,772
--	182,655	1,073,964
--	42,564	42,564
--	106,356	106,356
--	105,450	176,308
--	90,813	100,119
--	38,517	47,089
161	707,705	3,891,698
152,915	(46,131)	(7,635)
--	324,682	653,593
(137,914)	(306,910)	(631,891)
--	31,536	31,536
--	175,340	175,340
(137,914)	224,648	228,578
15,001	178,517	220,943
241,958	810,252	2,357,526
\$ 256,959	\$ 988,769	\$ 2,578,469

Revenues
Taxes
Licenses, Permits, and Franchises
Fines, Forfeitures, and Penalties
Use of Money and Property
Intergovernmental
Charges for Services
Other
Total Revenues
Expenditures
Current
General Government
Public Protection
Public Ways and Facilities
Health and Sanitation
Public Assistance
Education
Recreation and Cultural Services
Capital Outlay
Debt Service
Principal Retirement
Interest
Total Expenditures
Excess (Deficit) of Revenues Over Expenditures
Other Financing Sources (Uses)
Transfers In
Transfers Out
Debt Issued
Loan Proceeds
Total Other Financing Sources (Uses)
Net Change in Fund Balances
Fund Balances - Beginning of Year
Fund Balances - End of Year

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The Net Change in Fund Balances for governmental funds of \$220,943 in the Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Position for governmental activities of \$265,194 reported in the government-wide Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The main components of the difference are described below.

Net Change in Fund Balances – Total Governmental Funds \$ 220,943

When capital assets used in governmental activities are purchased or constructed in the current fiscal year, the resources expended for those assets are reported as expenditures in the governmental funds. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. In addition, donations, transfers, gains or losses from sales and other disposals/acquisitions of capital assets are not reported in governmental funds. These assets, and their associated depreciation/amortization expense, must be reported or removed in the government-wide financial statements. The details of the expenditures for capital outlay, capital contributions, depreciation /amortization and other disposals/acquisitions of capital assets are as follows:

Expenditures for Capital Outlay:			
Land	2,599		
Construction in Progress	127,943		
Equipment	38,381		
Software	13,459		
Net of Gains/(Losses) on Capital Assets Dispositions	16,103		
Depreciation/Amortization Expense	(82,233)		
Capital Contributions	<u>436</u>	116,688	

The issuance of long-term debt (e.g. bonds) is recorded as an other financing source in the governmental funds because it provides current financial resources. Similarly, the repayment of principal on long-term debt or the payment of other long-term liabilities is reported as an expenditure in the governmental funds because current financial resources have been consumed. Bond proceeds, net of payments to escrow agents and principal payments, are reported as financing sources in governmental funds and thus contribute to the change in fund balance. These transactions do not have any effect on net position in the government-wide financial statements. The details of the principal and other long-term liability payments and other financing sources are as follows:

Teeter Plan Notes Proceeds	(31,536)		
Civic Center Facilities Master Plan Loan Proceeds	(175,340)		
Principal and Other Long-Term Liability Payments:			
Bonds Payable	56,941		
Teeter Plan Notes Payable	33,859		
SARI Line Loans Payable	4,122		
Capital Lease Obligations Payable	<u>5,197</u>	(106,757)	

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities (Dollar Amounts in Thousands)

Revenues related to prior years that are available in the current fiscal year are reported as revenue in the governmental funds. In contrast, revenues that are earned, but unavailable in the current year are deferred in the governmental funds. For government-wide reporting, revenue is recognized when earned, regardless of availability. The following amounts reflect the net effect of the timing differences for revenue recognition:

Government Mandated and Voluntary Nonexchange Property Tax Revenues	(16,132)	
	<u>(3,058)</u>	(19,190)

Some expenses reported in the Statement of Activities do not require the use of current financial resources; and therefore, are not reported as expenditures in the governmental funds until paid. The following amounts represent the net effect of these differences in the treatment of long-term liabilities:

Accrued Interest Expense on Bonds Payable	520	
Amortization of Deferred Charges	35,097	
Change in Compensated Employee Absences	(1,510)	
Change in Arbitrage Rebate	(132)	
OCERS Investment Gain	14,236	
Estimated Litigation and Claims Expense	25,000	
Interest Accretion on Capital Appreciation Bonds	<u>(6,070)</u>	67,141

Internal service funds (ISF) are used by management to charge the costs of certain activities, such as insurance, transportation, and telephone services to individual governmental funds. The operating income of internal service funds is eliminated in the Statement of Activities as an adjustment to the various functions to arrive at a break-even basis. Also, general or non-program revenues and expenses of the internal service funds are recorded in governmental activities.

Allocation of ISF's Operating Gain to Governmental Activities, net of Business-Type Activities	24,944	
Consolidation of Nonoperating Revenues, Expenses and Transfers to Governmental Activities	<u>12,660</u>	37,604

For FY 2016-17, the OPEB cost was \$46,122, and the County contributed \$47,853, which was deposited in the Retiree Medical Trust. The County contributed more than the required OPEB cost. Cumulatively, the County still has a net OPEB Asset.

1,731

GASB Statement No. 68 requires an employer to record pension expense and employer contribution that affects the County's proportionate share of the net pension liability.

(52,966)

Change in Net Position of Governmental Activities \$ 265,194

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2017
 (Dollar Amounts in Thousands)

Budgetary Comparison Statement
 (Dollar Amounts in Thousands)

BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Taxes	\$ 671,356	\$ 671,487	\$ 681,312	\$ 9,825
Licenses, Permits, and Franchises	25,952	26,192	25,276	(916)
Fines, Forfeitures, and Penalties	33,713	63,426	67,275	3,849
Use of Money and Property	6,837	6,837	9,929	3,092
Intergovernmental	1,639,779	1,639,850	1,638,329	(2,521)
Charges for Services	476,842	478,732	451,566	(27,166)
Other	21,131	19,823	21,782	1,959
Transfers In	373,468	404,277	307,279	(96,998)
Bond Issuance Proceeds	--	100	--	(100)
Total Revenues and Other Financing Sources	3,249,078	3,321,724	3,192,748	(128,976)
Expenditures and Other Financing Uses				
General Government:				
Assessor	40,006	40,074	37,122	2,952
Auditor/Controller	21,094	21,162	19,137	2,025
Board of Supervisors - 1st District	1,243	1,243	1,172	71
Board of Supervisors - 2nd District	1,309	1,309	973	336
Board of Supervisors - 3rd District	1,218	1,218	949	269
Board of Supervisors - 4th District	1,203	1,203	1,051	152
Board of Supervisors - 5th District	1,186	1,186	1,097	89
Capital Acquisition Financing	5,856	5,856	5,843	13
Capital Projects	57,726	63,478	52,123	11,355
CAPS Program	15,127	15,962	14,091	1,871
Clerk of the Board	4,725	4,861	4,394	467
County Counsel	13,712	11,780	8,790	2,990
County Executive Office	22,208	23,779	21,374	2,405
Data Systems Development Project	9,391	10,658	8,207	2,451
Employee Benefits	1,557	1,557	1,391	766
Human Resources	6,886	6,950	5,177	1,773
IBM Mainframe	3,171	3,171	3,171	--
IT Support Services	772	1,925	1,887	38
Miscellaneous	55,552	83,061	72,588	10,493
OC Campaign Finance and Ethics Commission	549	549	549	421
Prepaid Pension Obligation	--	100	1	99
Property Tax System Centralized O & M Support	7,762	7,762	3,078	4,684
Registrar of Voters	15,755	16,223	15,672	551
The Office of the Performance Audit	607	606	73	533
Treasurer - Tax Collector	14,526	14,594	12,119	2,475
Utilities	14,886	15,580	13,297	2,283
2005 Lease Revenue Refunding Bonds	11,245	22,964	22,964	--
Public Protection:				
Alternate Defense	7,190	7,140	5,166	1,974
Building & Safety	14,535	15,672	15,588	84
Child Support Services	59,118	59,118	55,499	3,619
Clerk-Recorder	14,613	15,012	13,586	1,426
Detention Release	2,014	2,064	1,469	595
District Attorney	141,726	142,356	137,817	4,539
District Attorney - Public Administrator	3,216	3,216	2,604	612
Emergency Management Division	4,370	3,820	3,409	411
Grand Jury	384	985	914	71
HCA Public Guardian	5,616	5,817	4,932	885
Juvenile Justice Commission	178	178	134	44
Office of Independent Review	455	455	21	434
Probation	183,558	184,278	178,284	5,994
Public Defender	74,443	74,514	71,863	2,651
Sheriff - Coroner	652,049	671,863	657,647	14,216
Sheriff - Coroner Communications	12,963	13,141	10,248	2,893
Sheriff Court Operations	63,431	63,431	63,182	249
Trial Courts	65,069	67,093	65,331	1,762
Public Ways and Facilities:				
OC Public Works	51,622	53,809	44,740	9,069
Health and Sanitation:				
Health Care Agency	631,240	634,131	575,893	58,238
OC Watersheds	16,510	16,510	12,241	4,269
Public Assistance:				
OC Community Resources	66,174	67,581	57,111	10,470
Social Services Agency	901,649	918,401	853,459	64,942
Total Expenditures and Other Financing Uses	3,298,130	3,400,016	3,159,007	241,009
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(49,052)	(78,292)	33,741	\$ 112,033
Fund Balances - Beginning of Year	688,657	688,657	688,657	
Fund Balances - End of Year	\$ 639,605	\$ 610,365	\$ 722,398	

BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS - FLOOD CONTROL DISTRICT

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Taxes	\$ 95,371	\$ 95,371	\$ 107,845	\$ 12,474
Licenses, Permits, and Franchises	135	135	579	444
Fines, Forfeitures, and Penalties	12	12	13	1
Use of Money and Property	2,611	2,611	5,354	2,743
Intergovernmental	30,541	30,541	3,790	(26,751)
Charges for Services	13,570	14,559	15,211	652
Other	961	961	5,857	4,896
Transfers In	365	365	365	--
Total Revenues and Other Financing Sources	143,566	144,555	139,014	(5,541)
Expenditures and Other Financing Uses				
Public Protection:				
OC Flood	195,019	198,707	122,450	76,257
OC Santa Ana River	80	80	--	80
OC Flood - Capital	65,998	65,998	14,857	51,141
Total Expenditures and Other Financing Uses	261,097	264,785	137,307	127,478
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(117,531)	(120,230)	1,707	\$ 121,937
Fund Balances - Beginning of Year	445,843	445,843	445,843	
Fund Balances - End of Year	\$ 328,312	\$ 325,613	\$ 447,550	

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

**BUDGETARY COMPARISON STATEMENT
 MAJOR GOVERNMENTAL FUNDS - OTHER PUBLIC PROTECTION**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	\$ 363	\$ 363	\$ 424	\$ 61
Fines, Forfeitures, and Penalties	2,517	2,517	4,010	1,493
Use of Money and Property	826	838	4,464	3,626
Intergovernmental	15,727	20,723	27,795	7,072
Charges for Services	20,136	20,585	17,876	(2,709)
Other	11,191	10,469	8,542	(1,927)
Transfers In	5,308	21,891	20,541	(1,340)
Total Revenues and Other Financing Sources	<u>56,068</u>	<u>77,376</u>	<u>83,652</u>	<u>6,276</u>
Expenditures and Other Financing Uses				
Public Protection:				
Orange County Methamphetamine Lab Investigation Team	437	530	339	191
County Automated Fingerprint Identification	1,498	1,424	1,226	196
Building and Safety - Operating Reserve	1,556	4,856	1,975	2,881
Narcotic Forfeiture and Seizure	455	455	410	45
Sheriff-Regional Narcotics Suppression Program	6,205	9,667	5,407	4,260
Motor Vehicle Theft Task Force	3,245	3,491	3,330	161
Regional Narcotic Suppression Program-Dept of Treasury	459	463	248	215
Regional Narcotic Suppression Program-Other	2,851	2,387	1,126	1,261
Clerk Recorder Special Revenue	8,209	8,209	5,090	3,119
Clerk Recorder Operating Reserve	2,005	2,005	1	2,004
Real Estate Prosecution	1,853	1,679	1,678	1
Proposition 64 - Consumer Protection	3,654	3,654	2,882	772
Proposition 69 - DNA Identification	1,401	1,984	931	1,053
Traffic Violator	1,161	1,161	218	943
Sheriff Narcotics Program - Dept of Treasury	-	1	-	1
Sheriff Narcotics Program - Dept of Justice	3,976	3,906	2,628	1,278
Sheriff Narcotics Program - Other	520	802	49	753
Orange County Jail	1,848	1,819	501	1,318
Sheriff Narcotics Program - CALMMET - Treasury	1,160	1,797	639	1,158
Sheriff's State Criminal Alien Assistance Program	1,765	1,765	1,418	347
California Automated Fingerprint Identification Operational Costs	1,246	1,213	1,014	199
California Automated Fingerprint Identification Systems Costs	28,622	28,622	624	27,998
Sheriff's Supplemental Law Enforcement Services	3,115	3,115	1,256	1,859
District Attorney's Supplemental Law Enforcement Services	1,027	1,034	1,034	-
Excess Public Safety Sales Tax	6,259	6,259	6,056	203
Sheriff - Coroner Replacement and Maintenance	12,433	12,433	1,661	10,772
Ward Welfare	164	164	131	33
Sheriff's Substations Fee Program	3,343	3,343	44	3,299
Jail Commissary	11,063	11,092	8,451	2,641
Inmate Welfare	9,044	9,044	3,896	5,148
Child Support Program Development	3,524	3,524	1,028	2,496
800 MHz Countywide Coordinated Communications System	18,165	27,534	24,892	2,642
Delta Special Revenue	28	28	4	24
Total Expenditures and Other Financing Uses	<u>142,091</u>	<u>159,460</u>	<u>80,189</u>	<u>79,271</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(86,023)</u>	<u>(82,084)</u>	<u>3,463</u>	<u>\$ 85,547</u>
Fund Balances - Beginning of Year	129,132	129,132	129,132	
Fund Balances - End of Year	<u>\$ 43,109</u>	<u>\$ 47,048</u>	<u>\$ 132,595</u>	

**BUDGETARY COMPARISON STATEMENT
 MAJOR GOVERNMENTAL FUNDS - MENTAL HEALTH SERVICES ACT**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Use of Money and Property	\$ 800	\$ 800	\$ 2,385	\$ 1,585
Intergovernmental	146,403	146,403	151,829	5,426
Total Revenues and Other Financing Sources	<u>147,203</u>	<u>147,203</u>	<u>154,214</u>	<u>7,011</u>
Expenditures and Other Financing Uses				
General Government:				
Mental Health Services Act	167,066	167,066	138,075	28,991
Total Expenditures and Other Financing Uses	<u>167,066</u>	<u>167,066</u>	<u>138,075</u>	<u>28,991</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(19,863)</u>	<u>(19,863)</u>	<u>16,139</u>	<u>\$ 36,002</u>
Fund Balances - Beginning of Year	241,257	241,257	241,257	
Fund Balances - End of Year	<u>\$ 221,394</u>	<u>\$ 221,394</u>	<u>\$ 257,396</u>	

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	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
ASSETS					
Current Assets					
Pooled Cash/Investments	\$ 204,655	\$ 392,373	\$ 100	\$ 597,128	\$ 237,275
Cash Equivalents/Specific Investments	11,195	--	--	11,195	--
Cash/Cash Equivalents	7,362	--	--	7,362	375
Imprest Cash Funds	14	35	--	49	8
Restricted Cash and Investments with Trustee	41,091	--	--	41,091	5
Restricted Pooled Cash/Investments	1,613	647	--	2,260	--
Deposits In - Lieu of Cash	29,969	16,934	--	46,903	--
Receivables					
Accounts	4,170	10,737	--	14,907	137
Passenger Facility Charges	2,775	--	--	2,775	--
Interest/Dividends	576	1,089	--	1,665	488
Deposits	--	100	--	100	--
Pollution Remediation Obligation Recoveries	256	--	--	256	--
Allowance for Uncollectible Receivables	--	(1)	--	(1)	(52)
Due from Other Funds	52	86	5	143	4,717
Due from Other Governmental Agencies	649	2,709	--	3,358	1,052
Inventory of Materials and Supplies	--	--	--	--	409
Prepaid Costs	2,149	2,206	--	4,355	1,826
Total Current Assets	306,526	426,915	105	733,546	246,240
Noncurrent Assets					
Restricted Cash and Investments with Trustee	12,824	--	--	12,824	--
Restricted Pooled Cash/Investments	--	9,482	--	9,482	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	91,284	--	91,284	--
Specific Investments	39,300	--	--	39,300	--
Advances to Other Funds	--	29,624	--	29,624	--
Capital Assets:					
Land	15,678	22,164	--	37,842	--
Construction in Progress	76,247	27,685	--	103,932	1,846
Intangible Assets in Progress	--	255	--	255	65
Structures and Improvements	764,854	24,409	--	789,263	11,788
Accumulated Depreciation	(295,672)	(12,364)	--	(308,036)	(6,412)
Equipment	12,812	71,151	--	83,963	129,026
Accumulated Depreciation	(10,003)	(48,371)	--	(58,374)	(77,719)
Infrastructure	229,348	391,820	--	621,168	--
Accumulated Depreciation	(183,006)	(192,159)	--	(375,165)	--
Intangible Assets - Amortizable	3,015	626	--	3,641	--
Accumulated Amortization	(528)	(222)	--	(750)	--
Total Capital Assets	612,745	284,994	--	897,739	58,594
Total Noncurrent Assets	664,869	415,394	--	1,080,263	58,594
Total Assets	971,395	842,299	105	1,813,799	304,834
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to Pension	7,672	9,579	--	17,251	8,421
Total Deferred Outflows of Resources	7,672	9,579	--	17,251	8,421

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

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 21,242	\$ 10,421	\$ 2	\$ 31,665	\$ 21,256
Retainage Payable	52	1,050	--	1,102	12
Salaries and Employee Benefits Payable	433	587	--	1,020	468
Unearned Revenue	3,984	136	--	4,120	--
Due to Other Funds	2,605	3,934	19	6,558	2,521
Due to Other Governmental Agencies	154	3,443	--	3,597	13
Insurance Claims Payable	--	--	--	--	54,026
Compensated Employee Absences Payable	1,057	1,305	--	2,362	1,068
Pollution Remediation Obligation	--	570	--	570	--
Intangible Assets Obligations Payable	103	7	--	110	--
Landfill Site Closure/Postclosure Liability	--	2,613	--	2,613	--
Bonds Payable	35,090	--	--	35,090	--
Capital Lease Obligations Payable	--	--	--	--	6,900
Interest Payable	4,910	--	--	4,910	--
Deposits from Others	30,582	17,823	--	48,405	--
Total Current Liabilities	100,212	41,889	21	142,122	86,264
Noncurrent Liabilities					
Insurance Claims Payable	--	--	--	--	148,145
Compensated Employee Absences Payable	951	1,348	--	2,299	1,194
Pollution Remediation Obligation	994	15,120	--	16,114	--
Intangible Assets Obligations Payable	37	7	--	44	--
Landfill Site Closure/Postclosure Liability	--	155,868	--	155,868	--
Bonds Payable	152,228	--	--	152,228	--
Net Pension Liability	38,570	48,273	--	86,843	38,515
Total Noncurrent Liabilities	192,760	220,616	--	413,376	197,854
Total Liabilities	292,972	262,505	21	555,518	274,118
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to Pension	5,157	6,501	--	11,658	5,607
Total Deferred Inflows of Resources	5,157	6,501	--	11,658	5,607
NET POSITION					
Net Investment in Capital Assets	423,306	284,980	--	708,286	51,694
Restricted for:					
Debt Service	36,181	--	--	36,181	--
Passenger Facility Charges Approved Capital Projects	2,775	--	--	2,775	--
Capital Projects - Replacements and Renewals	1,000	--	--	1,000	--
Landfill Closure/Postclosure	--	28,962	--	28,962	--
Landfill Corrective Action	--	8,278	--	8,278	--
Wetland	--	879	--	879	--
Prima Deshecha/La Pala Closure	--	104	--	104	--
Unrestricted	217,656	259,669	84	477,409	(18,164)
Total Net Position	\$ 680,918	\$ 582,672	\$ 84	1,263,674	\$ 33,530
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds					
				996	
				(14,910)	
Net Position of Business-Type Activities				\$ 1,249,960	

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2017
 (Dollar Amounts in Thousands)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
Operating Revenues					
Use of Money and Property	\$ 111,401	\$ 4,443	\$ --	\$ 115,844	\$ 1,889
Licenses, Permits, and Franchises	--	56	--	56	--
Charges for Services	18,760	149,302	248	168,310	94,841
Insurance Premiums	--	--	--	--	324,975
Total Operating Revenues	130,161	153,801	248	284,210	421,705
Operating Expenses					
Salaries and Employee Benefits	19,497	26,271	--	45,768	21,815
Services and Supplies	28,186	19,339	313	47,838	25,816
Professional Services	40,963	14,478	53	55,494	58,366
Operating Leases	293	702	1	996	1,630
Insurance Claims and Premiums	--	--	--	--	279,586
Pollution Remediation Expense	--	5,178	--	5,178	--
Other Charges	--	--	--	--	455
Taxes and Other Fees	166	21,800	--	21,966	11
Landfill Site Closure/Postclosure Costs	--	418	--	418	--
Depreciation/Amortization	29,820	17,439	--	47,259	8,086
Total Operating Expenses	118,925	105,625	367	224,917	395,765
Operating Income (Loss)	11,236	48,176	(119)	59,293	25,940
Nonoperating Revenues (Expenses)					
Fines, Forfeitures, and Penalties	198	41	--	239	--
Intergovernmental Revenues	51	18	--	69	1,147
Interest and Investment Income	1,436	2,061	--	3,497	791
Interest Expense	(7,104)	--	--	(7,104)	--
Gain (Loss) on Disposition of Capital Assets	(23)	11	--	(12)	248
Passenger Facility Charges Revenue	19,901	--	--	19,901	--
Other Taxes	--	--	78	78	11
Other Revenue, Net	863	522	--	1,385	5,789
Total Nonoperating Revenues	15,322	2,653	78	18,053	7,986
Income (Loss) Before Contributions and Transfers	26,558	50,829	(41)	77,346	33,926
Capital Grant Contributions	270	--	--	270	--
Capital Contributions	--	1,558	--	1,558	454
Transfers In	--	33	--	33	8,321
Transfers Out	--	(25,805)	(150)	(25,955)	(4,101)
Change in Net Position	26,828	26,615	(191)	53,252	38,600
Net Position - Beginning of Year	654,090	556,257	275	(5,070)	(5,070)
Net Position - End of Year	\$ 680,918	\$ 582,872	\$ 84	\$ 33,530	\$ 33,530
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				996	
Increase in Net Position of Business-Type Activities				\$ 54,248	



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

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 131,375	\$ 153,921	\$ 248	\$ 285,544	\$ 28,870
Cash Received for Premiums within the County's Entity	--	--	--	--	324,975
Payments to Suppliers for Goods and Services	(67,613)	(31,893)	(367)	(99,873)	(381,042)
Payments to Employees for Services	(19,903)	(27,165)	--	(47,068)	(22,101)
Payments for Interfund Services	(95)	--	(254)	(349)	(3,242)
Receipts for Interfund Services Used	--	4,901	--	4,901	70,395
Landfill Site Closure/Postclosure Care Costs	--	(2,613)	--	(2,613)	--
Payment for Taxes and Other Fees	(166)	(21,800)	--	(21,966)	(11)
Other Operating Receipts	967	5,504	--	6,471	5,789
Other Operating Payments	--	(5,880)	--	(5,880)	(2,404)
Net Cash Provided (Used) by Operating Activities	<u>44,565</u>	<u>74,975</u>	<u>(373)</u>	<u>119,167</u>	<u>21,229</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	--	33	--	33	8,321
Transfers Out	--	(25,805)	(150)	(25,955)	(4,101)
Intergovernmental Revenues	152	18	--	170	1,147
Other Taxes	--	--	78	78	11
Advances to Other Funds	--	(24,057)	--	(24,057)	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>152</u>	<u>(49,811)</u>	<u>(72)</u>	<u>(49,731)</u>	<u>5,378</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(46,159)	(31,917)	--	(78,076)	(13,658)
Principal Paid on Bonds	(7,530)	--	--	(7,530)	--
Interest Paid on Long - Term Debt	(9,999)	--	--	(9,999)	--
Capital Grant Contributions	1,915	--	--	1,915	--
Passenger Facility Charges Received	19,267	--	--	19,267	--
Principal Paid on Capital Lease Obligations	--	--	--	--	(6,900)
Proceeds from Sale of Capital Assets	9	11	--	20	--
Net Cash Used by Capital and Related Financing Activities	<u>(42,497)</u>	<u>(31,906)</u>	<u>--</u>	<u>(74,403)</u>	<u>(20,558)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	1,424	1,778	2	3,204	685
Purchase of Investments	(13,851)	--	--	(13,851)	--
Net Cash Provided (Used) by Investing Activities	<u>(12,427)</u>	<u>1,778</u>	<u>2</u>	<u>(10,647)</u>	<u>685</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(10,207)	(4,964)	(443)	(15,614)	6,734
Cash and Cash Equivalents - Beginning of Year	276,137	498,785	543	775,465	230,929
Cash and Cash Equivalents - End of Year	<u>\$ 265,930</u>	<u>\$ 493,821</u>	<u>\$ 100</u>	<u>\$ 759,851</u>	<u>\$ 237,663</u>

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 11,236	\$ 48,176	\$ (119)	\$ 59,293	\$ 25,940
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation/Amortization	29,820	17,439	--	47,259	8,086
Fines, Forfeitures and Penalties	198	41	--	239	--
Other Revenue	863	522	--	1,385	5,789
(Increases) Decreases In:					
Deposits In-Lieu of Cash	1,460	(363)	--	1,097	--
Accounts Receivable, Net of Allowances	801	(262)	--	539	(29)
Due from Other Funds	(52)	3,302	(3)	3,247	(2,134)
Due from Other Governmental Agencies	(81)	188	--	107	(397)
Inventory of Materials and Supplies	--	--	--	--	3
Prepaid Costs	(222)	(169)	--	(391)	(213)
Deferred Outflows of Resources Related to Pension	2,454	3,246	--	5,700	3,063
Increases (Decreases) In:					
Accounts Payable	1,882	1,549	2	3,433	245
Retainage Payable	3	--	--	3	10
Salaries and Employee Benefits Payable	(614)	(796)	--	(1,410)	(686)
Unearned Revenue	521	16	--	537	--
Due to Other Funds	(43)	1,599	(253)	1,303	1,532
Due to Other Governmental Agencies	(24)	375	--	351	8
Insurance Claims Payable	--	--	--	--	(17,325)
Compensated Employee Absences Payable	(34)	(98)	--	(132)	148
Pollution Remediation Obligation	--	4,500	--	4,500	--
Deposits from Others	(1,557)	557	--	(1,000)	--
Net Pension Liability	(2,916)	(3,776)	--	(6,692)	(4,008)
Landfill Site Closure/ Postclosure Liability	--	(2,194)	--	(2,194)	--
Deferred Inflows of Resources Related to Pension	870	1,123	--	1,993	1,197
Total Adjustments	<u>33,329</u>	<u>26,799</u>	<u>(254)</u>	<u>59,874</u>	<u>(4,711)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 44,565</u>	<u>\$ 74,975</u>	<u>\$ (373)</u>	<u>\$ 119,167</u>	<u>\$ 21,229</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position Accounts					
Pooled Cash/Investments	\$ 204,655	\$ 392,373	\$ 100	\$ 597,128	\$ 237,275
Cash Equivalents/Specific Investments	11,195	--	--	11,195	--
Cash/Cash Equivalents	7,362	--	--	7,362	375
Imprest Cash Funds	14	35	--	49	8
Restricted Cash and Investments with Trustee	41,091 (1)	--	--	41,091	5
Restricted Pooled Cash/Investments	1,613	10,129	--	11,742	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	91,284	--	91,284	--
Total Cash and Cash Equivalents	<u>\$ 265,930</u>	<u>\$ 493,821</u>	<u>\$ 100</u>	<u>\$ 759,851</u>	<u>\$ 237,663</u>

Schedule of Noncash Investing, Capital, and Financing Activities:
 - The Internal Service Funds gained \$248 on disposition of capital assets.
 - Airport had a \$23 loss on disposition of capital assets.
 - Waste Management gained \$11 on disposition of capital assets.
 - The Internal Service Funds' acquisition of capital assets with accounts payable is \$1,532.
 - Airport's acquisition of capital assets with accounts payable is \$14,759.
 - Airport's acquisition of capital assets with retainage payable is \$45.
 - Waste Management's acquisition of capital assets with accounts payable is \$2,414.

(1) Does not include \$12,824 from Airport's nonliquid Restricted Cash and Investments with Trustee.

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**STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS**

	Private- Purpose Trust Funds	Investment Trust Funds	Pension and Other Post- Employment Benefit Trust Funds	Agency Funds
ASSETS				
Pooled Cash/Investments	\$ 62,928	\$ 5,241,317	\$ 297	\$ 352,816
Cash/Cash Equivalents	--	--	--	206
Restricted Cash and Investments				
Restricted Investments with Trustee				
Money Market Mutual Funds	4,653	--	109,503	38,313
Mutual Bond Funds	--	--	6,377	--
Stable Value Fund	--	--	15,499	--
Restricted Cash with OCERS	--	--	268,394	--
Total Restricted Cash and Investments	4,653	--	399,773	38,313
Investments	--	--	--	1,082
Deposits In-Lieu of Cash	--	--	--	54,565
Receivables				
Accounts	--	--	--	475
Taxes	--	--	--	302,964
Interest/Dividends	155	15,706	14	12,145
Allowance for Uncollectible Receivables	--	--	--	(179,589)
Due from Other Governmental Agencies	1	--	1,477	3,181
Land and Improvements Held for Resale	133	--	--	--
Notes Receivable	--	--	--	29,431
Total Assets	<u>67,870</u>	<u>5,257,023</u>	<u>401,561</u>	<u>615,589</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	333	--	--	--
Total Deferred Outflows of Resources	<u>333</u>	<u>--</u>	<u>--</u>	<u>--</u>
LIABILITIES				
Bonds Payable	26,238	--	--	--
Interest Payable	339	--	--	9,907
Deposits from Others	--	--	--	18,457
Monies Held for Others	--	--	--	203,981
Due to Other Governmental Agencies	7	115	2	66,011
Unapportioned Taxes	--	--	--	317,233
Total Liabilities	<u>26,584</u>	<u>115</u>	<u>2</u>	<u>615,589</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Charge on Refunding	114	--	--	--
Total Deferred Inflows of Resources	<u>114</u>	<u>--</u>	<u>--</u>	<u>--</u>
NET POSITION				
Restricted for Pension Benefits and Other Purposes	41,505	5,256,908	401,559	--
Total Net Position	<u>\$ 41,505</u>	<u>\$ 5,256,908</u>	<u>\$ 401,559</u>	<u>\$ --</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

	Private- Purpose Trust Funds	Investment Trust Funds	Pension and Other Post- Employment Benefit Trust Funds
Additions:			
Contributions to Pension and Other Postemployment Benefit Trust Funds:			
Employer	\$ --	\$ --	\$ 64,006
Employee	--	--	3,687
Contributions to Pooled Investments	--	9,048,148	--
Contributions to Private-Purpose Trust	72,203	--	--
Intergovernmental Revenues	5,137	--	--
Other Revenues	628	--	--
Interest and Investment Income	609	23,135	40,148
Less: Investment Expense	(5)	(2,814)	(603)
Total Additions	<u>78,572</u>	<u>9,068,469</u>	<u>107,238</u>
Deductions:			
Benefits Paid to Participants	--	--	37,722
Distributions from Pooled Investments	--	8,384,013	--
Distributions from Private-Purpose Trust	65,213	--	--
Professional Services	112	--	47
Tax Pass-Throughs	23	--	--
Interest Expense	931	--	--
Total Deductions	<u>66,279</u>	<u>8,384,013</u>	<u>37,769</u>
Change in Net Position:			
Private-Purpose Trust	12,293	--	--
External Investment Pool	--	684,456	--
Employees' Pension and Other Post- Employment Benefits	--	--	69,469
Net Position, Beginning of Year	29,212	4,572,452	332,090
Net Position, End of Year	<u>\$ 41,505</u>	<u>\$ 5,256,908</u>	<u>\$ 401,559</u>

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the more significant accounting policies of the County of Orange:

A. **Reporting Entity**

The County is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through an elected five-member Board of Supervisors (the Board), which, as the governing body, is responsible for the legislative and executive control of the County. The County provides a full range of general government services, including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, public ways and facilities, waste management, airport management, and general financial and administrative support.

As required by generally accepted accounting principles (GAAP) in the United States of America, these financial statements present financial information for both the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the County's operations, and the Board is typically their governing body. Therefore, data from these component units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. Management applied the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," Statement No. 39, "Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14," Statement No. 61, "The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34," and Statement No. 80, "Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14," to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the County appoints the voting majority, there is a financial benefit/burden relationship, the County is able to impose its will, the component unit is fiscally dependent on the County, the component unit's governing body is substantially the same as the County, and management of the County have operational responsibility for the activities of the component unit. These criteria were used to determine the following:

Blended Component Units

Orange County Flood Control District The governing body of the District is the County's governing body. Among its duties, it approves the District's budget, determines the District's tax rates, approves contracts, and appoints the management. The District is reported in governmental fund types.

Orange County Housing Authority The governing body of the Authority is the County's governing body. Among its duties, it approves the Authority's budget and policies that govern the administration of housing assistance programs and appoints the management. The Authority is reported in governmental fund types.

Orange County Public Financing Authority The Authority is a joint powers authority of the County and the Orange County Development Agency (OCDA), formed to provide financial assistance to the County by financing the acquisition, construction and improvement of public facilities in the County. The governing body of the Authority is the County's governing body. The Authority is reported in governmental fund types. With the passage of ABX1 26 dissolving redevelopment agencies statewide effective February 1, 2012, the Authority will not issue any new debt.

South Orange County Public Financing Authority The Authority is a joint powers authority of the County and Community Facilities District 88-2 of the County of Orange (Lomas Laguna), formed to provide for the financing of public capital improvements. The governing body of the Authority is the County's governing body. The Authority is reported in governmental fund types.

Capital Facilities Development Corporation The Corporation has its own three member governing body appointed by the County's governing body. The purpose of the Corporation is to facilitate financings,

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. **Reporting Entity (Continued)**

Blended Component Units (Continued)

Capital Facilities Development Corporation (Continued)

acquisitions of property, and other financial and property related transactions, by or for the benefit of the County, including but not limited to purchasing property from or for the benefit of, borrowing or loaning money and selling or leasing property to, and otherwise participating in financial and leasing transactions with the County.

Orange County Public Facilities Corporation The Corporation has its own five member governing body appointed by the County's governing body and provides services entirely to the primary government, the County, through the purchases, construction or leasing of land and/or facilities, which are then leased back to the County. The Corporation is reported in governmental fund types.

County Service Areas, Special Assessment Districts, and Community Facilities Districts The governing body of County Service Areas, Special Assessment Districts, and Community Facilities Districts (special districts) is the County's governing body. Among its duties, it approves the special districts' budgets, and approves parcel fees, special assessments and special taxes. The special districts are reported in governmental fund types.

In-Home Supportive Services (IHSS) Public Authority The governing body of the Authority is the County's governing body. The Authority was established by the Board to act as the employer of record for the individual providers for the IHSS program. The duties of the Authority include collective bargaining for the individual providers, establishing a registry of providers, investigating the background of providers and providing training to both IHSS providers and consumers. The Authority is reported in governmental fund types.

Fiduciary Component Unit

County of Orange Redevelopment Successor Agency (Successor Agency) The Successor Agency was established when the Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with ABX1 26 and Health and Safety Code 34172. An Oversight Board was appointed to oversee the dissolution process. A Private-Purpose Trust Fund, administered by the County of Orange, was established to account for the assets and liabilities of the former OCDA. For additional information related to the activities of the Successor Agency and its on-going Enforceable Obligations, please refer to its separate financial statements. Copies of the Successor Agency's financial statements can be obtained from the OC Community Resources Department or by accessing Orange County's website: www.ac.ocgov.com.

Discretely Presented Component Units

Children and Families Commission of Orange County (CFCOC) The CFCOC is administered by a governing board of nine members, who are appointed by the Board. Its purpose is to develop, adopt, promote and implement early childhood development programs in the County. It is funded by additional State taxes on tobacco products and approved by California voters via Proposition 10 in November 1998. The CFCOC is presented as a discretely presented component unit of the County because, although the County Board has no control over the revenues, budgets, staff, or funding decisions made by the CFCOC, the appointed CFCOC members serve at the will of the Board members who appoint them. A separate stand-alone annual financial report can be obtained by writing to the Children and Families Commission of Orange County, 1505 E. 17th Street, Suite 230, Santa Ana, CA 92705, or by accessing Orange County's website: www.ac.ocgov.com.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. **Reporting Entity (Continued)**

Discretely Presented Component Units (Continued)

Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima) The Board established CalOptima in 1993. The governing board of CalOptima is comprised of nine voting members and includes two County Board members and one County Board member alternate; all other members are appointed by the Board. This is a County organized health system whose purpose is to administer health insurance programs for low-income families, children, seniors, and persons with disabilities throughout the County. These programs include Medi-Cal, OneCare (HMO SNP), OneCare Connect Cal MediConnect Plan, and Program of All-Inclusive Care for the Elderly (PACE). CalOptima is presented as a discretely presented component unit of the County because, although the County Board has no control over the revenues, budgets, staff, or funding decisions made by CalOptima, the appointed CalOptima members serve at the will of the Board members who appoint them. CalOptima will continue until such time as the Board takes action to terminate CalOptima. A separate stand-alone annual financial report can be obtained by writing to CalOptima, 505 City Parkway West, Orange, CA 92868 or can be accessed via the website <http://wpsa.dmh.ca.gov/fe/search/>.

B. **Government-Wide and Fund Financial Statements**

The basic financial statements include both the government-wide and fund financial statements. The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. The government-wide financial statements report long-term liabilities and capital assets. Depreciation/amortization expense and accumulated depreciation/amortization are displayed on the government-wide financial statements. The capital assets and related depreciation include the costs and depreciation of infrastructure assets.

The fund financial statements for the governmental funds are prepared under the modified accrual basis of accounting and the current financial resources measurement focus. Fund financial statements are shown separately for specific major governmental funds and in total for all other governmental funds. Fund financial statements for proprietary funds are reported under the accrual basis of accounting and the economic resources measurement focus. Major enterprise funds are shown separately, with internal service funds shown in total. Financial data for the internal service funds is included with the governmental funds for presentation in the government-wide financial statements. Fiduciary funds are displayed by category in the fund financial statements, but are not reported in the government-wide financial statements, because the assets of these funds are not available to the County.

Government-Wide Financial Statements

GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (GASB Statement No. 34), as amended by GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" (GASB Statement No. 63), mandates the presentation of two basic government-wide financial statements:

- *Statement of Net Position*
- *Statement of Activities*

The scope of the government-wide financial statements is to report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are normally supported by taxes, intergovernmental revenues, other nonexchange revenues, and business-type activities, which are financed by fees charged to external parties for goods or services, are reported in separate columns with a combined total column presented for the primary government. Likewise, the primary government is reported separately from the legally separate

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. **Government-Wide and Fund Financial Statements (Continued)**

Government-Wide Financial Statements (Continued)

component units, CFDOC and CalOptima, for which the primary government is financially accountable. The government-wide Statement of Net Position displays the financial position of the primary government, in this case, the County and its discretely presented component units. The Statement of Net Position reports the County's financial and capital resources, including infrastructure, as well as the County's long-term obligations. The difference between the County's assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources is its net position. Net position represents the resources that the County has available for use in providing services after its debt is settled.

These resources may not be readily available or spendable and consequently are classified into the following categories of net position in the government-wide financial statements:

- Net Investment in Capital Assets This amount is derived by subtracting the outstanding debts incurred by the County, including debt-related deferred outflows and inflows of resources, to buy or construct capital assets shown in the Statement of Net Position, net of depreciation.
- Restricted Net Position This category represents restrictions imposed on the use of the County's resources by parties outside of the government or by law through constitutional provisions or enabling legislation. All of the County's net position restrictions are externally imposed by outside parties, constitutional provisions or enabling legislation. Examples of restricted net position include federal and state grants that are restricted by grant agreements for specific purposes and restricted cash set aside for debt service payments. At June 30, 2017, the County's governmental activities reported restricted net position of \$1,516,853 and is restricted for pension benefits related to the Orange County Retirement System (OCERS) Investment Account, capital projects, debt service, legally segregated funds restricted for grants and other purposes, and regional park endowment. Restricted Net Position for business-type activities amounted to \$78,179 and is restricted for the use of Airport and Waste Management activities, including debt service, passenger facility charges (PFC), capital projects replacements and renewals, landfill closure/postclosure, and landfill corrective action. At June 30, 2017, the County reported \$2,775 of net position restricted by enabling legislation related to the Airport's PFC.
- Unrestricted Net Position These assets are resources of the County that can be used for any purpose, though they may not necessarily be liquid. In addition, assets in a fund that exceed the amounts required to be restricted by external parties or enabling legislation are reported as unrestricted net position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues and the extent to which the function or segment is supported by general government revenues, such as property taxes, local unrestricted sales taxes, and investment earnings. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated to the programs where the revenue is earned. Program revenues include:

- *Charges and fees to customers or applicants for goods, services, or privileges provided, including fines, forfeitures, and penalties related to the program*
- *Operating grants and contributions*
- *Capital grants and contributions, including special assessments*

Taxes and other items such as unrestricted investment earnings not properly included among program revenues are reported instead as general revenues.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. **Government-Wide and Fund Financial Statements (Continued)**

Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. The financial information of each major fund is shown in a separate column in the fund financial statements, with the data for all nonmajor governmental funds aggregated into a single column and all nonmajor proprietary funds aggregated into a single column. GASB Statement No. 34, as amended by GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities" (GASB Statement No. 65), sets forth minimum criteria (specified minimum percentages of the assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues or expenditures/expenses of a fund category and of the governmental and enterprise funds combined) for the determination of major funds. In addition to funds that meet the minimum criteria, any other governmental or enterprise fund that the government believes is of particular importance to financial statement users may be reported as a major fund.

The County reports the following major governmental funds:

General Fund This fund accounts for resources traditionally associated with government and all other resources, which are not required legally, or by sound financial management, to be accounted for in another fund. Revenues are primarily derived from taxes; licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues. Expenditures are primarily expended for functions of general government, public protection, public ways and facilities, health and sanitation, public assistance, capital outlay, and debt service.

Flood Control District This fund accounts for the planning, construction, operation, and maintenance of regional flood protection and water conservation works, such as dams, control channels, retarding basins, and other flood control infrastructure, charges for services revenue, along with property taxes restricted for flood control activities, provide most of this fund's revenues.

Other Public Protection This fund accounts for revenues restricted for safety and law enforcement activities such as the child support program, automated fingerprint identification systems, and investigation team. Revenues consist primarily of federal grants, state grants, fines, use of money and property, and charges for services.

Mental Health Services Act This fund accounts for the County's mental health programs for children, transition age youth, adults, older adults and families pursuant to the State of California Mental Health Services Act. Revenues consist primarily from a one percent income tax on personal income in excess of one million dollars.

The County reports the following proprietary enterprise funds:

Airport This major fund accounts for major construction and for self-supporting aviation-related activities rendered at John Wayne Airport, Orange County. The airport's staff coordinates and administers general business activities related to the Airport, including concessions, commercial and general aviation operations, leased property, auto parking, and aircraft tie-down facilities.

Waste Management This major fund accounts for the operation, expansion, and closing of existing landfills. Monies are collected through landfill disposal fees, which users pay based primarily on tonnage.

Compressed Natural Gas (CNG) This nonmajor fund accounts for the operation and maintenance of the CNG facility. Revenues consist primarily of CNG sales to both the County and the public.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. **Government-Wide and Fund Financial Statements (Continued)**

Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

Internal Service Funds The County reports nine Internal Service Fund types. These proprietary funds are used to report activities that provide goods or services to other funds of the County. These funds account for fleet services, publishing services, and risk management services (including claims for workers' compensation, property damage, Information & Technology, Insurance and various health programs) provided to other County departments or agencies, or other governmental entities. The Internal Service Funds receive revenues on a cost-reimbursement basis.

Fiduciary Fund Types The County has a total of 366 individual trust and agency funds for FY 2016-17. These trust and agency funds are used to account for assets held on behalf of outside parties or employees, including other governments. When these assets are held under the terms of a formal trust agreement, a private-purpose trust, pension trust or Other Post-Employment Benefits (OPEB) trust fund is used. An investment trust fund is used for the portion of the County investment pool representing external pool participants. Agency funds are used to account for assets that the County holds on behalf of others as their agent.

The County reports the following trust and agency funds:

Private-Purpose Trust These funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds, and decedents' property held for escheatment. Also included are the County accounts for the former redevelopment agency as a fiduciary component unit for the Successor Agency.

Investment Trust

Orange County Investment Pool

These funds are used to account for assets, consisting primarily of cash and investments, of separate legal entities, other than school and community college districts, which participate in the County Treasurer's External Investment Pool, and includes debt reserves for school and community college districts.

Orange County Educational Investment Pool

These funds are used to account for assets, consisting primarily of cash and investments, of school and community college districts that participate in the County Treasurer's External Educational Investment Pool.

Pension and Other Employee Benefits Trust The County reports six Pension and OPEB Trust funds. These trust funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit and defined contribution pension and post-employment benefit plans.

Agency Funds These funds are custodial in nature and do not report operating results. These funds are used to account for assets held by the County as an agent for various local governments and individuals, such as unapportioned taxes for other local government agencies, monies collected for the Redevelopment Property Tax Trust funds, civil filing fees, and special assessment districts debt service funds. Accordingly, assets reported in the statements are offset by a liability for resources held on behalf of others.

C. **Measurement Focus and Basis of Accounting**

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus and Basis of Accounting (Continued)

Government-Wide Financial Statements (Continued)

and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources and all liabilities, deferred inflows of resources, associated with the operation of these funds are included on the Statement of Net Position. Receivables are reported net of allowances for uncollectible receivables in the Statement of Net Position. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For purposes of not overstating the true costs and program revenues reported for the various functions, interfund activities (e.g. interfund transfers and interfund reimbursements) have been eliminated from the government-wide Statement of Activities. Exceptions to the general rule are interfund services provided and used between functions, such as charges for auditing and accounting fees between the general government function and various other functions of the primary government. Elimination of these interfund activities would distort the direct costs and program revenues reported for the various functions concerned. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed. Additionally, only the interfund transfers between governmental and business-type activities are reported in the Statement of Activities.

Governmental Fund Financial Statements

Governmental funds are used to report all governmental activities that are not primarily self-funded by fees or charges to external users or other funds and are not fiduciary activities. These activities include the County's basic services to its citizenry and to other agencies, including general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. There are five types of governmental funds:

- *General Fund*
- *Special Revenue Funds*
- *Capital Projects Funds*
- *Debt Service Funds*
- *Permanent Fund*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of accounting, revenues and other governmental fund type financial resources (e.g., bond issuance proceeds) are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after the end of the current fiscal period.

Revenues that are accrued include real and personal property taxes, sales taxes, property taxes in-lieu of motor vehicle license fees, fines, forfeitures and penalties, interest, federal and state grants and subventions, charges for current services, and the portion of long-term sales contracts and leases receivable that are measurable and available and where collectability is assured. Revenues that are not considered susceptible to accrual include penalties on delinquent property taxes and minor licenses and permits. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, provided that the revenues are also available. If intergovernmental revenues are expected to be received later than 60 days following the end of the fiscal year, then a receivable is recorded along with deferred inflows of resources. Once the grant reimbursement is received, revenue and cash are recorded, and the receivable and deferred inflows of resources are eliminated. Receipts that have not met all of the earning requirements are reported as unearned revenue received. As of June 30, 2017,

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

the County reported \$141,065 of deferred inflows of resources and \$65,906 of unearned revenue received in the governmental funds' Balance Sheet.

Most expenditures are recorded when the related fund liabilities are incurred. However, inventory type items are considered expenditures at the time of use and principal and interest expenditures on bonded debt and capital leases are recorded in the year they become due for payment. Costs of claims, judgments, compensated employee absences and employer pension contributions are recorded as expenditures at fiscal year-end if they are due and payable. The related long-term obligation is recorded in the government-wide financial statements. Commitments such as purchase orders and contracts for materials and services are recorded as encumbrances.

Because the fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented to explain the adjustments necessary to reconcile fund financial statements to the government-wide financial statements.

Proprietary Fund Financial Statements

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds are used to account for business-type activities, which are financed mainly by fees and charges to users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

There are two types of proprietary funds:

- *Enterprise Funds*
- *Internal Service Funds*

The County has three enterprise funds: Airport, Waste Management, and CNG. The principal operating revenues of the Airport, Waste Management, and CNG enterprise funds are charges to customers for (1) landing fees, terminal space rental, auto parking, concessions, and aircraft tie-down fees, (2) disposal fees charged to users of the waste disposal sites, and (3) natural gas sales, respectively.

Internal Service Funds are used to report activities that provide goods or services to other funds of the County. The internal service funds receive revenues through cost-reimbursements of the goods and services provided to other County departments and agencies. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Fiduciary Fund Financial Statements

Fiduciary funds are used to account for assets held in a trustee or agency capacity and cannot be used to support the County's own programs. Trust funds are accounted for using the economic resources measurement focus and accrual basis of accounting. Agency funds report only assets and liabilities and therefore, do not have a measurement focus; however, agency funds use the accrual basis of accounting to recognize receivables and payables.

D. Budget Adoption and Revision

No later than October 2nd of each year, after conducting public hearings concerning the recommended

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. **Budget Adoption and Revision (Continued)**

budget, the Board adopts a budget in accordance with Government Code Sections 29000-29144 and 30200. The County publishes the results of this initial budgeting process in a separate report, the "Adopted Budget," which specifies all accounts established within each fund/department/budget control (a collection of account numbers necessary to fund a certain division or set of goal-related activities) and will not include the carried forward prior year encumbrances. However, the original and final budget amounts presented in the financial statements may differ due to the inclusion of the carried forward prior year encumbrances.

Throughout the year, the original budget is adjusted to reflect increases or decreases in revenues and changes in fund balance, offset by an equal amount of adjustments to appropriations. Department heads are authorized to approve appropriation transfers within a fund/department/budget control. However, appropriation transfers between funds/departments/budget controls require approval of the Board. Accordingly, the lowest level of budgetary control exercised by the County's governing body is the fund/department/budget control level.

Annual budgets are adopted on a basis consistent with GAAP except for the general fund and major special revenue funds as detailed in the Budgetary Comparison Statement reconciliation between the budgetary basis and GAAP basis. Budgeted governmental funds consist of the general fund, major funds, and other nonmajor governmental funds. Budgetary comparison statements are prepared only for the general fund and major special revenue funds (listed below) for which the County legally adopts annual budgets, and are presented as part of the basic financial statements. The County did not legally adopt annual budgets for the OC Public Facilities Corporation Bonds, Master Lease Fund, the South OC Public Financing Authority Fund, Capital Facilities Development Corporation, and the Orange County Public Financing Authority Fund. The budgetary comparison statements provide three separate types of information: (1) the original budget, which is the first complete appropriated budget; (2) the final amended budget, which includes all legally authorized changes regardless of when they occurred; and (3) the actual revenues and expenditures during the year for budget-to-actual comparisons.

The major special revenue fund Budgetary Comparison Statements reported by the County in the Basic Financial Statements are:

- *Flood Control District*
- *Other Public Protection*
- *Mental Health Services Act*

The intent of preparing the Budgetary Comparison Statement reconciliation is to provide the reader with a more complete understanding and appreciation for the difference between budgetary revenues and other financing sources and expenditures and other financing uses presented in the Budgetary Comparison Statements and the revenues, expenditures, and other financing sources (uses) reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, which is prepared in accordance with GAAP. The major areas of difference are as follows:

- Under the budgetary basis, investment income is recognized on an amortized cost basis. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB Statement No. 31), all investment income, including changes in fair value (gains/losses) of investments, are recognized as investment income.
- Under the budgetary basis, redirected investment income is recognized as investment income in the recipient fund. In accordance with GASB Statement No. 31, investment income assigned to another fund due to management decision is recognized in the fund that reports the investment and reported as a transfer to the recipient fund in the GAAP financial statements.
- Under the budgetary basis, revenues are normally recorded when earned. For GAAP basis, in accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" (GASB Statement No. 33), and GASB Statement No. 65, all nonexchange transactions,

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. **Budget Adoption and Revision (Continued)**

such as government-mandated nonexchange transactions and voluntary nonexchange transactions, can be accrued only if they are measurable and "available." "Available" has been defined by GASB Statement No. 33 as "collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period." The County has established the availability period as 60 days after the end of the fiscal year. In order to ensure all transactions for the current fiscal year meet this criterion, the County analyzes revenue receipts through August 30 and records adjustments to deferred inflows of resources for transactions that are not collected.

- GASB Statement No. 34 states, "Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore, cannot be used to support the government's own programs." For the GAAP financial statements, an adjustment to record public-purpose trust monies as revenue in the benefitting funds is recorded for funds which continue to be accounted for as fiduciary funds on a budgetary basis but do not meet the definition of a fiduciary fund.
- Under the budgetary basis, intrafund transfers are recognized as other financing sources (uses). For the GAAP financial statements, intrafund transfers are eliminated to minimize the "grossing-up" of intrafund transfers.
- The County reclassified to the General Fund all the activities of certain special revenue funds, which no longer meet the definition of a special revenue fund in accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB Statement No. 54).
- For budgetary purposes, the loan from Waste Management to the General Fund was recognized as other financing sources (uses). In accordance with GASB Statement No. 34, an adjustment to record the interfund loan as an interfund receivable in the lender fund and interfund payable in the borrower fund was recorded for the GAAP financial statements.
- Under the budgetary basis, interfund reimbursements or repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are recorded as revenues in the payer fund. In accordance with GASB Statement No. 34, an adjustment to eliminate interfund reimbursements is recorded for the GAAP financial statements.
- In accordance with GAAP, the County has established guidelines for recording accruals. In order to reasonably ensure that accruals for current fiscal year transactions are materially accurate, the County performs an analysis to identify expenditure accruals for the GAAP financial statements.
- The General Fund revenue adjustment was recorded due to the rebilling to Waste Management for the Republic Services and LA Sanitation District importation proceeds.
- The OC Animal Care Center uses cash basis to record money it receives from invoicing due to the low collection rate. Per GAAP, the receivables and the amount of the allowance for the doubtful accounts should be recorded.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. **Budget Adoption and Revision (Continued)**

The following schedule shows the Budgetary Comparison Statement reconciliation between the budgetary basis and GAAP basis for the General Fund and major special revenue funds:

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act
Actual Revenues and Other Financing Sources from the Budgetary Comparison Statements	\$ 3,192,748	\$ 139,014	\$ 83,652	\$ 154,214
Differences-budget to GAAP:				
Change in unrealized loss on investment	(2,558)	(2,057)	(750)	(1,138)
Adjustment to report redirected investment income as transfers	--	--	13	--
Adjustment of revenue accruals for 60 day recognition period	(3,122)	14,752	3	--
Adjustment to record Public-Purpose Trust Fund monies as revenue in benefitting fund	(4,433)	84	--	--
Adjustment to eliminate intrafund transfers	(3,877)	--	(3,964)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(13,937)	(440)	--	--
Certain budgeted special revenue funds do not meet the criteria for separate reporting and are reported within the General Fund in the GAAP financial statements	16	--	--	--
Revenues and Other Financing sources for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	120	--
Recognition of outstanding invoices for OC Animal Care Center	84	--	--	--
Adjustment of imported waste revenues overpaid to the General Fund	2,976	--	--	--
Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 3,167,897	\$ 151,353	\$ 79,074	\$ 153,076
Actual Expenditures and Other Financing Uses from the Budgetary Comparison Statements	\$ 3,159,007	\$ 137,307	\$ 80,189	\$ 138,075
Differences-budget to GAAP:				
Adjustment to report redirected investment	--	--	13	--
Adjustment of expenditure accruals for timing differences	555	7,602	(173)	--
Adjustment to eliminate intrafund transfers	(3,877)	--	(3,964)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(13,937)	(440)	--	--
Expenditures and Other Financing Uses for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	5,522	--
Certain budgeted special revenue funds do not meet the criteria for separate reporting and are reported within the General Fund in the GAAP financial statements	3,879	--	--	--
Reclassification of loan repayment from General Fund to Waste Management	(784)	--	--	--
Total Expenditures and Other Financing Uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 3,144,843	\$ 144,469	\$ 81,587	\$ 138,075

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. **Fund Balance**

The County applies GASB Statement No. 54 for financial statement purposes. The intent of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The balance sheet reports the following five different classifications of fund balance:

Nonspendable Fund Balance Amounts that are not in a spendable form, such as long-term receivables, inventory or prepaid costs, or that are required to be maintained intact, such as the corpus of an endowment fund. The County's Regional Park Endowment Permanent Fund reports the original donation as nonspendable in accordance with donor requirements.

Restricted Fund Balance Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance Amounts constrained to specific purposes by a formal action of the highest level of decision making authority. The constraint remains binding unless the government takes the same highest-level action to remove or change the constraint. The Board is the County's highest level of decision-making authority. The highest level of formal action to commit resources is an ordinance.

Assigned Fund Balance Amounts a government intends to use for a specific purpose that are neither restricted nor committed; intent can be expressed by the governing body (Board) or by an official or body to which the governing body delegates authority (County Executive Officer (CEO), County Department Heads, and County Purchasing Agent). The County's budget development guidelines provide the policy that is used by all County departments to determine the designation of assigned fund balance. Assigned fund balance includes the aggregation of resources for capital projects, which are expected to develop in future periods and fund balance reserved for outstanding contractual obligations for which goods and services have not yet been received or approved by the Board for appropriation in FY 2016-17, through the County's budget process.

Unassigned Fund Balance Residual amounts within the General Fund in excess of what can be properly classified in one of the four other fund balance classifications. Within all other governmental funds, unassigned fund balance is comprised of the negative residual in excess of what can be properly classified as nonspendable, restricted, or committed.

In the hierarchy for spending, when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the County's policy is to spend restricted fund balance before unrestricted fund balance. When committed, assigned, and unassigned fund balance is available for the same specific purpose, the County's policy is to expend fund balance according to the following priority: committed, assigned, and then unassigned.

Following are detailed descriptions within each fund balance classification reported in the balance sheet:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. **Fund Balance (Continued)**

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	\$ 838	\$ 346	\$ 317	\$ --	\$ --	\$ 1,501
Prepaid costs	367,934	4,877	1,228	--	14,733	388,772
Endowment	--	--	--	--	196	196
Long-Term Advances to Other Funds	3,800	--	--	--	--	3,800
Total Nonspendable Fund Balance	372,572	5,223	1,545	--	14,929	394,269
Restricted for:						
Court Operations	5,874	--	--	--	--	5,874
Tobacco and CHIP Programs	152	--	--	--	--	152
Public Safety Realignment	32,367	--	--	--	--	32,367
Registrar of Voters	1,188	--	--	--	--	1,188
Flood Control District	--	209,629	--	--	--	209,629
Flood Control District - Construction & Maintenance	--	22,651	--	--	--	22,651
Flood Control District - Project Management	--	26,162	--	--	--	26,162
Flood Control District Capital Projects	--	141,638	--	--	--	141,638
Flood Control District Capital Projects Management	--	33,145	--	--	--	33,145
Santa Ana River Projects	--	84	--	--	--	84
Building & Safety Operating Reserve	--	--	14,645	--	--	14,645
Child Support Program Development	--	--	13,407	--	--	13,407
Clerk Recorder Special Revenue	--	--	16,559	--	--	16,559
Sheriff-Coroner Replacement & Maintenance	--	--	12,523	--	--	12,523
CAL-ID System Costs	--	--	29,131	--	--	29,131
Jail Commissary	--	--	4,963	--	--	4,963
Inmate Welfare	--	--	8,421	--	--	8,421
Prop 64 - Consumer Protection	--	--	6,662	--	--	6,662
Regional Narcotics Suppression Program	--	--	10,198	--	--	10,198
Other Public Safety Programs	--	--	24,029	--	--	24,029
Mental Health Services Adults/Children	--	--	--	19,863	--	19,863
Mental Health Services General	--	--	--	237,096	--	237,096
OC Dana Point Harbor Projects	--	--	--	--	67,355	67,355
Community and Welfare Services	--	--	--	--	56,318	56,318
Low and Moderate Income Housing Program	--	--	--	--	31,541	31,541
Health Care Programs	--	--	--	--	21,867	21,867
Civic Center Parking/Maintenance	--	--	--	--	4,545	4,545
Roads	--	--	--	--	70,759	70,759
Public Libraries	--	--	--	--	38,480	38,480
Bankruptcy Recovery	--	--	--	--	17,130	17,130
OC Parks	--	--	--	--	49,012	49,012
OC Parks - Capital Projects	--	--	--	--	32,388	32,388
County Tidelands - New port Bay	--	--	--	--	5,715	5,715
Service Areas, Lighting, Maintenance and Assessment Districts	--	--	--	--	78,087	78,087
Other Environmental Management	--	--	--	--	2,732	2,732
Tobacco Settlement Programs	--	--	--	--	11,437	11,437
Housing Programs	--	--	--	--	16,805	16,805
Technological and Capital Acquisitions/Improvements	--	--	--	--	1,368	1,368
Endowment	--	--	--	--	145	145
OC Public Facilities Corporation Bonds, Master Lease	--	--	--	--	2,943	2,943
Pension Obligation Bonds	--	--	--	--	61,460	61,460
South OC Public Financing Authority	--	--	--	--	23,287	23,287
Orange County Public Financing Authority	--	--	--	--	7,465	7,465
Teeter Note	--	--	--	--	18,471	18,471
Capital Projects:						
Criminal Justice Facilities Improvement	--	--	--	--	12,563	12,563
Capital Facilities Development Corporation Construction	--	--	--	--	151,471	151,471
Capital Facilities Development Corporation	--	--	--	--	21,538	21,538
Total Restricted Fund Balance	\$ 39,581	\$ 433,329	\$ 140,238	\$ 256,959	\$ 804,882	\$ 1,674,989

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. **Fund Balance (Continued)**

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
Assigned to:						
General Services:						
General Services - Operations	\$ 127,959	\$ --	\$ --	\$ --	\$ --	\$ 127,959
Maintenance and Construction	11,600	--	--	--	--	11,600
Imprest Cash	1,834	--	--	--	--	1,834
Public Safety	18,804	--	--	--	--	18,804
Public Works	2,266	--	--	--	--	2,266
Watershed Programs	1,243	--	--	--	--	1,243
Social Services Programs	5,660	--	--	--	--	5,660
Tax Loss Reserve	46,653	--	--	--	--	46,653
Health Care Programs	1,314	--	--	--	12,083	13,397
Teeter Note	--	--	--	--	53,316	53,316
Capital Projects:						
Property Tax Software Development	5,076	--	--	--	--	5,076
Criminal Justice Facilities	6,645	--	--	--	--	6,645
Central Utilities Facility Replacement	1,239	--	--	--	--	1,239
Election System Upgrade	20,000	--	--	--	--	20,000
Sheriff Closed Circuit TV	2,000	--	--	--	--	2,000
Miscellaneous Capital Projects	13,000	--	--	--	--	13,000
800MHz County-Wide Coordinated Communications System	--	--	1,514	--	--	1,514
Countywide Projects	--	--	--	--	46,566	46,566
Parking Facilities	--	--	--	--	746	746
OC Parks	--	--	--	--	12,083	12,083
Air Quality Improvement	--	--	--	--	3,827	3,827
Community and Welfare Services	--	--	--	--	26,015	26,015
Orange County Public Financing Authority	--	--	--	--	14,322	14,322
Total Assigned Fund Balance	265,293	--	1,514	--	168,958	435,765
Unassigned	73,446	--	--	--	--	73,446
Total Unassigned Fund Balance	73,446	--	--	--	--	73,446
Total Fund Balances	\$ 750,892	\$ 438,552	\$ 143,297	\$ 256,959	\$ 988,769	\$ 2,578,469

Annually, the Board adopts a five-year Strategic Financial Plan (SFP). The County of Orange 2017 SFP includes a policy for Fund Balance Unassigned (FBU) that eliminates FBU as a funding source for the next year's budget as a significant step toward reducing structural reliance on one-time funds. Positive variances in estimated FBU are to be added to Strategic Reserves, consistent with the Board policy.

The County prepays its pension contribution and reports the prepaid amount as Nonspendable Fund Balance rather than Unassigned Fund Balance as required by GASB Statement No. 54. For FY 2016-17, the proceeds of \$375,540 was for short-term Taxable Pension Obligation Bonds to prepay its FY 2017-18 pension contribution at a discount. Of this amount \$367,590 is the prepaid costs for General Fund and is Nonspendable. Refer to Note 9, Short-Term Obligations, and Note 17, Retirement Plans for additional information.

F. **Deposits and Investments**

The County maintains two cash and investment pools: the Orange County Investment Pool (OCIP) and the Orange County Educational Investment Pool (OCEIP), the latter of which is utilized exclusively by the County's public school and community college districts. These pools are maintained for the County and other Non-County entities for the purpose of benefiting from economies of scale through pooled investment activities. In addition, the County maintains the Airport Investment Fund and other non-pooled specific investments.

The County has stated required investments at fair value in the accompanying financial statements, using the fair value measurement within the fair value hierarchy established by GAAP.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. **Deposits and Investments (Continued)**

Other than proceeds held by the County in the OCIP, proceeds from County-issued bonds are held by trustees and are invested in instruments authorized by the respective trust agreements including money market mutual funds, investment agreements, repurchase agreements, and U.S. Government securities. Short-term investments are reported at amortized cost, while long-term investments, such as U.S. Government securities, are stated at fair value. The trustee uses an independent service to value those securities.

The Pools value participants' shares using an amortized cost basis. Specifically, the Pools distribute income to participants based on their relative participation during the period. Income is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and reduced by (4) actual administrative cost of such investing, depositing or handling of funds. This method differs from the fair value method used to value investments in this statement because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the Pools' investments. Refer to Note 3, Deposits and Investments for additional information.

The investments in the Retiree Medical Defined Benefit Trust are managed by OCERS and are reported at fair value. Refer to Note 17, Retirement Plans, to obtain OCERS stand-alone annual financial statements.

G. **Inventory of Materials and Supplies**

Inventories consist of expendable materials and supplies held for consumption. Inventories are valued at cost, which is determined on a moving weighted average basis. Applicable fund balances are nonspendable for amounts equal to the inventories on hand at the end of the fiscal year, as these amounts are not available for appropriation and expenditure. The costs of inventory items are recorded as expenditures/expenses when issued to user departments/agencies.

H. **Prepaid Costs**

The County pays for certain types of services in advance, such as pension costs and rents, and recognizes these costs in the period during which services are provided. Prepaid costs in the governmental funds Balance Sheet include \$388,772, which primarily consist of \$388,427 for the County's FY 2017-18 pension contribution at a discount.

Prepaid costs in the government-wide financial statements include the prepaid costs reported in the fund financial statements, reduced for 50% of the prepaid asset related to the pension contribution after the measurement date in accordance with GASB Statement No. 68 and GASB Statement No. 71. Refer to Note 17, Retirement Plans for additional information.

I. **Land and Improvements Held for Resale**

These assets, held by the Successor Agency, are valued at the lower of cost or estimated net realizable value.

J. **Capital Assets**

Capital assets are defined as assets of a long-term character that are intended to be held or used in operations, such as land, structures and improvements, equipment, intangible, and infrastructure. Infrastructure assets are grouped by networks consisting of flood channels, roads, bridges, trails, traffic signals, and harbors.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the donation. Capital assets with an

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

J. **Capital Assets (Continued)**

original unit cost equal to or greater than the County's capitalization threshold shown in the table below are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Asset Type	Capitalization Threshold
Land	\$ 0
Land Improvements	\$150
Structures and Improvements	\$150
Equipment	\$ 5
Intangible:	
Software	\$5
All Other	\$150
Infrastructure	\$150

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the related assets. No depreciation or amortization is provided on construction in progress or intangible assets in progress, respectively, until the project is completed and the asset is placed into service. Estimated useful lives of structures and improvements, equipment, intangibles, and infrastructure are as follows:

Land Improvements	10 to 20 years
Structures and Improvements	10 to 60 years
Equipment	2 to 20 years
Intangibles:	
Computer Software	2 to 15 years
Infrastructure:	
Flood Channels	20 to 100 years
Roads	10 to 20 years
Bridges	50 to 75 years
Trails	20 years
Traffic Signals	15 to 20 years
Harbors	20 to 50 years
Airport – Runways, Taxis, and Aprons	15 to 60 years
Waste Management – Cell Development, Drainage Channels, Facility Improvements, Habitat, Landfill Gas/Environmental, Closure/Other Earthwork	3 to 71 years

Maintenance and repair costs are expensed in the period incurred. Expenditures that materially increase the capacity or efficiency or extend the useful life of an asset are capitalized and depreciated. Upon the sale or retirement of the capital asset, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the Statement of Activities and Proprietary Funds' Statement of Revenues, Expenses and Changes in Fund Net Position.

For business-type activities, interest is capitalized on construction in progress. Capitalized interest is the total interest expense of the borrowing net of related interest earnings on the reinvested unexpended tax-exempt debt proceeds and amortization of premium or discount. For governmental activities, interest is not capitalized as a cost of the capital asset in accordance with GAAP.

K. **Deferred Outflows/Inflows of Resources**

In addition to assets, the government-wide Statement of Net Position reports a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period(s) and

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

K. **Deferred Outflows/Inflows of Resources (Continued)**

so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has two items that qualify for reporting in this category. They are the deferred charge on refunding and deferred outflows of resources related to pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferral of resources related to pension results from the net difference between projected and actual investment earnings on pension plan investments, changes of assumptions and changes in proportion and differences between employer contributions and the proportionate share of contributions calculated by actuarial study. The deferred outflows of resources related to pension also include employer contributions made after the measurement date and a portion of the County's prepaid retirement contribution.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, which represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category. They are the deferred inflows of resources related to unavailable revenues and deferred inflows of resources related to pension. The County has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes, intergovernmental revenues, SB90, and other sources as appropriate. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The SB90 deferred inflows of resources amount of \$24,637 is net of an allowance for the estimated uncollectible of \$10,236.

The table below details out all deferred outflows/inflows of resources related to pension. Please refer to Note 17, Retirement Plans, for further information.

	Governmental Activities	Airport	Waste Management	Total
Deferred Outflows of Resources Related to Pension per Actuarial Studies				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 324,534	\$ 3,278	\$ 4,079	\$ 331,891
Changes of Assumptions	69,889	712	881	71,482
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	16,265	144	183	16,592
Deferred Outflows of Resources Related to Pension - Employer Contributions after Measurement Date	214,565	1,784	2,328	218,677
Deferred Outflows of Resources Related to Prepaid Contribution	196,040	1,754	2,108	199,902
Total Deferred Outflows of Resources Related to Pension	\$ 821,293	\$ 7,672	\$ 9,579	\$ 838,544
Deferred Inflows of Resources Related to Pension per Actuarial Studies				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 17	\$ --	\$ --	\$ 17
Difference Between Expected and Actual Experience	432,439	3,993	5,062	441,494
Changes of Assumptions	114,088	1,163	1,438	116,689
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	122	1	1	124
Total Deferred Inflows of Resources Related to Pension	\$ 546,666	\$ 5,157	\$ 6,501	\$ 558,324

L. **Self-Insurance**

The County is self-insured for general and automobile liability claims, workers' compensation claims, and for claims arising under the County self-insured PPO Health Plans, short-term disability plans, dental plan, Reserve Deputy Sheriff accidental death and dismemberment plan, and unemployment benefits program. Liabilities are accrued based upon case reserves, development of known claims, incurred but not reported claims and allocated and unallocated loss adjustment expenses. For additional information, refer to Note 15, Self-Insurance.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. **Property Taxes**

The provisions of the California Constitution and Revenue and Taxation Code govern assessment, collection, and apportionment of real and personal property taxes. Real and personal property taxes are computed by applying approved property tax rates to the assessed value of properties as determined by the County Assessor, in the case of locally assessed property and as determined by the State Board of Equalization in the case of state-assessed properties. Property taxes are levied annually, with the exception of the supplemental property taxes, which are levied when supplemental assessment events, such as sales of property or new construction, take place.

The County collects property taxes on behalf of all property tax-receiving agencies in Orange County. Property tax-receiving agencies include the school districts, cities, independently governed special districts not governed by the Board, special districts governed by the Board, redevelopment successor agencies, and the County General Fund.

Property taxes receivables are recorded as of the date levied in property tax unapportioned funds, which are classified as agency funds. When collected, the property taxes are deposited into the County Treasury in the property tax unapportioned funds, where they are held in the unapportioned taxes liability accounts pending periodic apportionment to the tax-receiving agencies. The property tax unapportioned funds are included in the agency funds category of the County's fund financial statements because the unapportioned taxes are collected and held on behalf of other governmental agencies.

Property tax collections are apportioned (disbursed) to the tax-receiving agencies periodically from the tax unapportioned funds based on various factors including statutory requirements, materiality of collections received, tax delinquency dates, the type of property tax roll unapportioned fund (secured, unsecured, supplemental, delinquent secured, delinquent unsecured, delinquent supplemental, homeowners' property tax subvention, or state-assessed properties), and cash flow needs of the tax-receiving agencies.

Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due within the fiscal year and collected within 60 days after the fiscal year-end. Property tax revenues are also recognized for unsecured and supplemental property taxes that are due at year-end, and are collected within 60 days after the fiscal year-end, but will not be apportioned until the next fiscal year due to the timing of the tax apportionment schedule. The County's portion of the unapportioned taxes at June 30, 2017 is allocated to and recorded in the corresponding funds for reporting purposes.

Unsecured and supplemental property tax levies that are due within the fiscal year but are unpaid at fiscal year-end, are recorded as deferred inflows of resources in the fund-level financial statements, and recognized as revenue in the government-wide financial statements. The County records an allowance to recognize uncollectible taxes receivable.

The County maintains records of disputed property taxes, such as those properties for which the values have been appealed to the local Assessment Appeals Boards. Upon final disposition of the appeals and disputes, the amounts are either refunded to taxpayers or the tax bills are corrected. As of June 30, 2017, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 0.87% of the combined beginning secured and unsecured property tax roll charge.

The following are significant dates on the property tax calendar:

	California Revenue & Taxation Code Section
Supplemental assessments are effective on the 1st day of the month following the new construction or ownership change.	75.41
Property tax lien date is January 1.	2192
Unsecured taxes on the roll as of July 31 are delinquent August 31.	2922

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. **Property Taxes (Continued)**

	California Revenue & Taxation Code Section
Assessor delivers roll to Auditor-Controller July 1.	616, 617
Tax roll is delivered to the Tax Collector on or before the levy date (the 4th Monday in September).	2601
Secured tax payment due dates are: 1st Installment - November 1, and 2nd Installment - February 1.	2605 2606
Declaration of default for unpaid taxes occurs July 1.	3436
Power to sell is effective five years after tax default.	3691

N. **Compensated Employee Absences**

Compensated employee absences (vacation, compensatory time off, performance incentive plan time off, annual leave, and sick leave) are accrued as an expense and liability in the proprietary funds when incurred. In the governmental funds, only those amounts that are due and payable at year-end are accrued. Compensated employee absences that exceed this amount represent a reconciling item between the fund and government-wide presentations.

O. **Pensions**

The County recognizes a net pension liability to reflect the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the County's retirement plans. The actuarial valuation for the retirement plans through OCERS is based on the December 31, 2016 measurement date for the County reporting as of June 30, 2017. The actuarial valuation for the Extra-Help Defined Benefit Plan is based on the June 30, 2017 measurement date for the County reporting as of June 30, 2017.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the OCERS and the Extra-Help Defined Benefit Plan and additions to/deductions to OCERS and the Extra-Help Defined Benefit Plan fiduciary net position have been determined on the same basis as they are reported by OCERS and the Extra-Help Defined Benefit Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At June 30, 2017, the County's net pension liability from OCERS was measured as of December 31, 2016, and the total pension liability (TPL) used to calculate the net pension liability was determined by rolling forward the December 31, 2015 valuation to December 31, 2016. The County's net pension liability from Extra-Help Defined Benefit Plan was measured as of June 30, 2017; the plan's TPL was calculated using the data and assets as of July 1, 2015, rolled forward to June 30, 2017 using actual benefit payments for FY 2015-16 and FY 2016-17.

P. **Statement of Cash Flows**

A Statement of Cash Flows is presented for proprietary fund types. The County's cash and cash equivalents for cash flow reporting purposes are considered to be cash on hand, demand deposits, unrestricted and restricted investments held in the County Treasury's investment pooled funds and outside trustees.

Q. **Indirect Costs**

County indirect costs are allocated to benefiting departments in the "Indirect Expenses Allocation" column of the government-wide Statement of Activities. Allocated costs are from the County's FY 2016-17 County-

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Q. **Indirect Costs (Continued)**

Wide Cost Allocation Plan (CWCAP), which was prepared in accordance with the Code of Federal Regulation, Title 2, Part 200. For Financial Statement purposes, the County has elected to allocate indirect costs to budget controls within the General Fund in order to match the reimbursement of indirect costs recorded as program revenues to the same function where the related expense is recorded.

R. **Effects of New Pronouncements**

The following lists recent GASB pronouncements implemented or are effective in FY 2016-17:

In August 2015, GASB issued Statement No. 77, "Tax Abatement Disclosures." This statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this statement are effective for reporting periods beginning after December 15, 2015, which requires the County to implement this statement in FY 2016-17. The statement was implemented. The effect was immaterial to the County's financial statements. Therefore, no note disclosures are presented as a result of this GASB statement.

In December 2015, GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans." This statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this statement are effective for reporting periods beginning after December 15, 2015, which requires the County to implement this statement in FY 2016-17. The statement was implemented without an impact to the County.

In January 2016, GASB issued Statement No. 80, "Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14." This statement amends the blending requirements established in paragraph 53 of Statement No. 14, "The Financial Reporting Entity," as amended. This statement amends the blending requirements for the financial statement presentation of component units of all state and local government. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, which requires the County to implement this statement in FY 2016-17. The statement was implemented without an impact to the County.

In March 2016, GASB issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73." This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, which requires the County to implement this statement in FY 2016-17. The statement was implemented with an impact to the County. Refer to the Required Supplementary Information for additional information.

The following summarizes recent GASB Pronouncements and their future effective dates. The County is in the process of evaluating the impact of these statements on its financial statements:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

R. **Effects of New Pronouncements (Continued)**

In June 2015, GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement replaces Statements No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," as amended, Statement No. 43, and Statement No. 50, "Pension Disclosures." The provisions of this statement are effective for reporting periods beginning after June 15, 2016. The County's OPEB plans are calendar year based; therefore, it requires the County to implement this statement in FY 2017-18. The requirements of this statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria.

In June 2015, GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB." Statement No. 74 establishes new accounting and financial reporting requirements for OPEB plans. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this statement are effective for reporting periods beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18.

In March 2016, GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements." This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this statement are effective for reporting periods beginning after December 15, 2016, which requires the County to implement this statement in FY 2017-18.

In November 2016, GASB issued Statement No. 83, "Certain Asset Retirement Obligations." This statement requires the recognition of a liability and a corresponding deferred outflows of resources associated with an asset retirement obligation based on the criteria and the measurement established in the statement. This statement also requires disclosure of required information about the asset retirement obligations. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, which requires the County to implement this statement in FY 2018-19.

In January 2017, GASB issued Statement No. 84, "Fiduciary Activities." This statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement also describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this statement are effective for reporting periods beginning after December 15, 2018, which requires the County to implement this statement in FY 2019-20.

In March 2017, GASB issued Statement No. 85, "Omnibus 2017." This statement addresses issues that have been identified during implementation and application of certain GASB Statements. The topics include issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits and more. The requirements of this statement are effective for reporting periods

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

R. **Effects of New Pronouncements (Continued)**

beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18.

In May 2017, GASB issued Statement No. 86, "Certain Debt Extinguishment Issues." This statement establishes disclosure requirements of in-substance defeasance of debt using only existing resources and prepaid insurance related to extinguished debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18.

In June 2017, GASB issued Statement No. 87, "Leases." This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflows of resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, which requires the County to implement this statement in FY 2020-21.

S. **Use of Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates. Where significant estimates have been made in preparing these financial statements, they are described in the applicable footnotes.

T. **Consolidation of Governmental Funds' Balance Sheet and Proprietary Funds' Statement of Net Position Line Items in Statement of Net Position**

Several asset line items in the Governmental Funds' Balance Sheet and the Proprietary Funds' Statement of Net Position are combined into one line item in the Government-Wide Statement of Net Position for presentation purposes. In order to avoid any confusion, the following table lists the line items shown in the Governmental and Proprietary Fund financial statements that are condensed together in the Government-Wide Statement of Net Position.

Government-Wide Statement of Net Position Line Item	Corresponding Governmental and Proprietary Funds Balance Sheet or Statement of Net Position Line Item
Cash and Cash Equivalents	Pooled Cash/Investments; Cash Equivalents/Specific Investments; Imprest Cash Funds; and Cash/Cash Equivalents
Restricted Cash and Cash Equivalents	Restricted Cash and Investments with Trustee; Restricted Pooled Cash/Investments; and Restricted Pooled Cash/Investments – Closure and Postclosure Care Costs
Capital Assets – Not Depreciable/Amortizable	Land; Land Use Rights; Construction in Progress; and Intangible in Progress
Capital Assets – Depreciable/Amortizable (Net)	Structures and Improvements and Accumulated Depreciation; Equipment and Accumulated Depreciation; Infrastructure and Accumulated Depreciation; and Intangible Software and Accumulated Amortization; Land Improvements and Accumulated Depreciation

2. **DEFICIT FUND EQUITY**

The Workers' Compensation Internal Service Fund (ISF) reported a deficit net position balance of \$76,699. The deficit results from the amount calculated in the annual actuarial study which includes case reserves, development of known claims, incurred but not reported claims, allocated and unallocated loss adjustment

2. DEFICIT FUND EQUITY (Continued)

expenses, and a discount for anticipated investment income. The deficit decreased by \$16,752 from the previous fiscal year primarily due to a decrease in case reserves. Charges to County departments have not provided sufficient cash flows to entirely fund the deficit in the Workers' Compensation ISF. The County will continue to review charges to departments and manage the funding status of the Workers' Compensation Program.

Effective with OCDA's dissolution on February 1, 2012, the assets and liabilities (including bond debt) were transferred to and reported in a private-purpose trust fund of the County. This transfer and reporting structure reflect the custodial role accepted by the Successor Agency. The Successor Agency private-purpose trust fund reported a deficit net position of \$12,467. The deficit for the Successor Agency decreased by \$4,771 from the previous fiscal year primarily due to an increase in intergovernmental revenues as a result of the termination of the Bankruptcy Recovery Contribution transfer to the General Fund.

3. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for authorizing all County bank accounts and pursuant to California Government Code (CGC) Sections 27000.1 – 27000.5, 27130 – 27137, and 53600 – 53686 is responsible for conducting County investment activities of the County's investment pooled funds in addition to various individual investment accounts outside of the pooled funds. These public funds are called the Orange County Investment Fund (OCIF). Within the OCIF, the Treasurer maintains an OCIP and an OCEIP, which are "external investment pools" wherein monies of the County and other legally separate external entities, which are not part of the County reporting entity, are commingled (pooled) and invested on the participants' behalf. In addition, the Treasurer maintains the John Wayne Airport Investment Fund (JWA Fund) and other separately managed investments. The County's Investment Pools are not registered with the Securities and Exchange Commission (SEC) as an investment company, and therefore are exempt from SEC rules.

The Treasurer further invests pooled funds from the OCIP and OCEIP into three funds, the Orange County Money Market Fund (OCMMF), the Orange County Educational Money Market Fund (OCEMMF), and the Extended Fund. On March 6, 2017, Standard & Poor's (S&P) reaffirmed its highest rating of AAAM Principal Stability Fund Rating (AAA) on the OCMMF and the OCEMMF. The Treasurer will act on a "best efforts" basis to stabilize the Net Asset Value (NAV) of OCMMF and OCEMMF within a range of \$0.995 (in absolute dollar amounts) and \$1.005 (in absolute dollar amounts). The pooled funds do not have any legally binding guarantees of share values.

The maximum maturity of investments for the two short-term pools is 13 months with a maximum weighted average maturity (WAM) of 60 days. The maximum maturity of the long-term pool is five years per CGC. The IPS provides that all pools, except short-term pools, shall have an effective duration not to exceed a leading 1-3 Year index +25%.

Pursuant to CGC Sections 27130-27137, the Board has established a Treasury Oversight Committee (TOC) that monitors and reviews the IPS annually and also ensures that the Treasurer has an audit annually, which includes limited tests of compliance with laws and regulations. The TOC consists of the County Executive Officer, the elected County Auditor-Controller, the County Superintendent of Schools, or their respective designees, and four public members.

The investment practices and policies of the Treasurer are based on compliance with state law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants. The last goal is to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

Interest is allocated to individual funds monthly based on the average daily balances on deposit with the Treasurer. Interest assigned to another fund due to management decision is recognized in the fund that reports the investments and is reported as a transfer to the recipient fund.

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits and investments with the Treasurer totaled \$9,043,263 as of June 30, 2017, consisting of \$4,022,195 for the OCIP, \$4,867,136 for the OCEIP, and \$153,932 for Specific Investments.

Total County deposits and investments at fair value as of June 30, 2017, are reported as follows:

<u>Deposits:</u>	
Imprest Cash	\$ 1,901
Deposits for OCIP with Treasurer	16,344
Deposits for OCEIP with Treasurer	47,522
Deposits with Trustees	47,511
All other Deposits and Timing Differences	<u>(141,839)</u>
Total Deposits and Timing Differences	<u>(28,561)</u>
<u>Investments:</u>	
Investments for OCIP with Treasurer	4,005,851
Investments for OCEIP with Treasurer	4,819,614
Specific Investments with Treasurer	153,932
Restricted Investments With Trustees	531,908
With External OCERS	<u>268,394</u>
Total Investments	<u>9,779,699</u>
Total Deposits and Investments	<u>\$ 9,751,138</u>

Total County deposits and investments are reported in the following funds:

Governmental Funds	\$ 2,552,666
Proprietary Funds	1,049,638
Fiduciary Funds	6,101,385
Component Unit - CFDOC	<u>47,449</u>
Total Deposits and Investments	<u>\$ 9,751,138</u>

A. Deposits

CGC 53652 et. seq. and the IPS prescribe the amount of collateral that is required to secure the deposit of public funds. The pledge to secure deposits is administered by the California Commissioner of Business Oversight. Collateral is required for demand deposits at 110% of all deposits not covered by Federal Depository Insurance Corporation (FDIC) if obligations of the United States and its agencies, or obligations of the State or its municipalities, school districts, and district corporations are pledged. Collateral of 150% is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the County. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them.

Written custodial agreements are required to provide, among other things, that the collateral securities are held separately from the assets of the custodial institution. FDIC is available for interest-bearing funds deposited at any one financial institution up to a maximum of \$250.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. The County's deposits are not exposed to custodial credit risk, since all of its deposits are covered by FDIC or collateralized with securities held by the County or its agent in the County's name in accordance with CGC Section 53562.

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The CGC Sections 53601 and 53635, Board ordinances and resolutions, the County's IPS, the bond indenture documents, trust agreements, and other contractual agreements govern the investments that may be purchased and may include certain restrictions on investment maturity, maximum portfolio percentages, term, value, credit quality and timing to minimize the risk of loss. The IPS adds further restrictions to permitted investments from the CGC. As of June 30, 2017, the Treasurer was in full compliance with the more restrictive IPS for the OCIP, OCEIP, and JWA Fund.

The following table provides a summary listing of the authorized investments as of June 30, 2017.

Type of Investment	CGC % of Funds Permitted	Orange County IPS (%)	CGC Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Funds)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities	100%	100% total, no more than 50% in one issuer excluding securities with final maturities of 30 days or less	5 Years	5 Years	397 Days
Municipal Debt	100%	30% total, no more than 5% in one issuer except 10% - County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% total, no more than 5% in one issuer	5 Years	3 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% total, no more than 5% in one issuer	5 Years	3 Years	397 Days
State of California Local Agency Investment Fund	\$50 million per account	\$50 million per pool	N/A	N/A	N/A
Repurchase Agreements	100%	20% total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%	20% total	N/A	N/A	N/A
Investment Pools	100%	20% total, no more than 10% in one pool	N/A	N/A	N/A
Suprationals	30%	30% total, no more than 5% in one issuer	5 Years	5 Years	397 Days

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

The current IPS expressly prohibits leverage, reverse repurchase agreements as defined by CGC, structured notes, structured investment vehicles, and derivatives. All investments must be United States dollar denominated. No investment may be purchased from an issuer and all related entities, including parent and subsidiaries, that has been placed on "credit watch-negative" by any of the Nationally Recognized Statistical Rating Organizations (NRSROs), or whose credit rating by any of the NRSROs is less than the minimum rating required by the IPS for that class of security unless the issuer has a short-term rating of A-1+ or F1+ or a long-term rating of at least a AA or Aa2; and the Treasurer has approved the purchase in writing prior to purchase.

Investments by the Treasurer are stated at fair value. Investments in the OCIF are marked-to-market on a daily basis. If the NAV of the OCMMF or OCMMF is less than \$0.995 (in absolute dollar amounts) or greater than \$1.005 (in absolute dollar amounts), portfolio holdings may be sold as necessary to maintain the ratio between \$0.995 (in absolute dollar amounts) and \$1.005 (in absolute dollar amounts).

Unless otherwise required in a trust agreement or other financing document, assessment districts and public school and community college districts are required by legal provisions to deposit their funds with the County Treasurer. The OCEIP consists entirely of public school and community college districts' funds and therefore includes 100% involuntary participants. At June 30, 2017, the OCIP includes approximately 10.8% of involuntary participant deposits including funds for the Superior Court, certain assessment districts, and certain bond related funds for public school districts.

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures

The following table presents a summary of the County's investments, the credit quality distribution, and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2017.

<u>With Treasurer:</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate Range (%)</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity (Years)</u>	<u>Rating (1)</u>	<u>% of Portfolio</u>
<u>OCEIP (2)</u>							
U.S. Government Agencies							
FNMA Discount Notes	\$ 38,142	\$ 38,154	0.77 - 0.85%	07/03/17 - 08/02/17	0.040	P-1	0.95%
FNMA Bonds	400,868	402,667	0.88 - 1.52%	08/28/17 - 02/28/20	1.550	AA	10.01%
FFCB Discount Notes	92,392	93,000	0.60 - 1.11%	07/25/17 - 03/12/18	0.572	P-1	2.30%
FFCB Bonds	280,757	281,312	0.51 - 1.59%	08/28/17 - 06/15/20	1.302	AA	7.01%
FHLB Discount Notes	584,168	584,650	0.79 - 1.04%	07/05/17 - 09/12/17	0.088	P-1	14.58%
FHLB Bonds	608,814	610,202	0.72 - 1.59%	08/28/17 - 06/12/20	1.390	AA	15.20%
FHLMC Discount Notes	27,205	27,250	0.81 - 0.99%	07/13/17 - 10/20/17	0.164	P-1	0.68%
FHLMC Bonds	524,333	525,616	0.70 - 1.55%	07/28/17 - 01/17/20	1.155	AA	13.09%
Negotiable Certificates of Deposit							
Certificates of Deposit	62,770	62,689	1.69 - 1.72%	07/30/18 - 03/29/19	1.289	A	1.57%
Certificates of Deposit	36,428	36,373	1.36 - 1.75%	10/18/17 - 09/10/18	1.158	AA	0.91%
Medium-Term Corporate Notes							
Corporate Notes	48,295	47,765	1.10 - 1.35%	02/09/18 - 08/15/18	0.155	A	1.21%
Corporate Notes	247,629	246,404	1.05 - 1.76%	02/15/18 - 02/12/20	2.663	AA	6.18%
Corporate Notes	79,106	78,620	0.82 - 1.49%	08/15/17 - 03/01/19	0.801	AAA	1.97%
Municipal Debt	183,339	183,925	0.98 - 1.48%	08/01/17 - 06/29/18	0.663	NR	4.58%
U.S. Treasuries	609,619	609,845	0.63 - 1.38%	07/31/17 - 07/31/19	1.274	AAA	15.22%
Money Market Mutual Funds	181,788	181,788	0.85 - 0.93%	07/03/17	0.000	AAA	4.54%
Local Agency Investment Fund (LAIF)	198	198	0.98%	07/03/17	0.000	NR	0.00%
	\$ 4,005,851	\$ 4,010,458			1.004 (4)		100.00%
<u>With Treasurer:</u>							
<u>OCEIP (2)</u>							
U.S. Government Agencies							
FNMA Discount Notes	\$ 54,979	\$ 55,000	0.77 - 0.85%	07/03/17 - 08/02/17	0.046	P-1	1.14%
FNMA Bonds	416,531	418,387	0.69 - 1.52%	08/28/17 - 02/28/20	1.555	AA	8.64%
FFCB Discount	59,666	60,000	0.60 - 1.07%	07/25/17 - 03/07/18	0.491	P-1	1.25%
FFCB Bonds	328,412	328,948	0.71 - 1.59%	07/03/17 - 06/15/20	1.174	AA	6.82%
FHLB Discount Notes	826,299	827,300	0.83 - 1.04%	07/05/17 - 12/28/17	0.124	P-1	17.14%
FHLB Bonds	630,490	631,933	0.72 - 1.59%	08/07/17 - 06/12/20	1.396	AA	13.08%
FHLMC Discount Notes	72,970	73,025	0.81 - 0.99%	07/12/17 - 10/11/17	0.080	P-1	1.52%
FHLMC Bonds	558,616	560,018	0.70 - 1.55%	07/14/17 - 01/17/20	1.142	AA	11.59%
Negotiable Certificates of Deposit							
Certificates of Deposit	65,395	65,311	1.69 - 1.72%	07/30/18 - 03/29/19	1.289	A	1.36%
Certificates of Deposit	36,284	36,227	1.69 - 1.75%	09/10/18	1.197	AA	0.75%
Medium-Term Corporate Notes							
Corporate Notes	45,232	44,548	0.74 - 1.37%	07/12/17 - 08/15/18	0.140	A	0.94%
Corporate Notes	284,241	282,347	1.05 - 1.76%	02/15/18 - 02/12/20	2.609	AA	5.90%
Corporate Notes	87,407	86,851	0.82 - 1.74%	08/15/17 - 11/21/17	0.756	AAA	1.81%
Municipal Debt	191,005	191,615	0.98 - 1.48%	08/01/17 - 06/29/18	0.663	NR	3.96%
U.S. Treasuries	913,940	914,300	0.72 - 1.38%	07/31/17 - 07/31/19	0.925	AAA	18.96%
Money Market Mutual Funds	247,941	247,941	0.85 - 0.93%	07/03/17	0.000	AAA	5.14%
Local Agency Investment Fund (LAIF)	206	206	0.98%	07/03/17	0.000	NR	0.00%
	\$ 4,819,614	\$ 4,823,957			0.890 (4)		100.00%

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

<u>With Treasurer:</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate Range (%)</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity (Years)</u>	<u>Rating (1)</u>	<u>% of Portfolio</u>
<u>Specific Investments (2)</u>							
U.S. Government Agencies							
FNMA Discount Notes	\$ 1,798	\$ 1,800	1.01%	08/07/17	0.104	P-1	1.17%
FNMA Bonds	16,190	16,195	0.67 - 2.06%	08/28/17 - 01/05/22	2.456	AA	11.81%
FFCB Discount	2,970	3,000	1.14 - 1.21%	03/08/18 - 05/24/18	0.828	P-1	1.93%
FFCB Bonds	5,497	5,500	0.91 - 1.08%	07/03/17 - 06/22/18	0.671	AA	3.57%
FHLB Discount Notes	15,341	15,365	0.61 - 1.08%	07/07/17 - 11/10/17	0.156	P-1	9.97%
FHLB Bonds	13,539	13,500	0.80 - 1.78%	07/27/17 - 07/29/20	1.371	AA	8.79%
FHLMC Discount Notes	3,991	4,000	0.85 - 1.03%	08/02/17 - 11/02/17	0.216	P-1	2.59%
FHLMC Bonds	3,491	3,500	0.94%	01/12/18	0.537	AA	2.27%
U.S. Treasuries	16,451	16,499	0.70 - 1.16%	07/31/17 - 01/13/21	0.946	AA	10.69%
U.S. Treasuries - SLGS	67,557	67,557	0.76%	09/11/17	0.821	AAA	43.89%
Repurchase Agreements	1,082	1,082	6.20%	08/15/19	2.126	AAA	0.70%
Money Market Mutual Funds	4,035	4,035	0.01 - 0.04%	07/03/17	0.000	AAA	2.62%
	\$ 153,932	\$ 154,033			0.689 (4)		100.00%
<u>With Trustees:</u>							
<u>Restricted Investments with Trustees (2)</u>							
U.S. Government Agencies							
FNMA Zero Coupon Bonds	\$ 61,388	\$ 28,132	0.00%	09/01/21	1.620	NR	11.54%
FHLMC Bond	18,450	18,450	0.88 - 4.88%	06/13/18 - 07/19/19	0.180	AA	3.47%
FNMA Bond	16,673	16,673	1.13 - 1.88%	08/18/18 - 02/19/19	0.150	AA	3.13%
FHLB Bond	16,467	16,467	0.88 - 1.38%	03/19/18 - 03/18/19	0.160	AA	3.10%
FHLMC Discount Notes	18,603	18,603	1.13%	04/15/19	0.210	AA	3.50%
FFCB Bond	26,575	26,575	0.75 - 1.63%	04/18/18 - 06/14/19	0.270	AA	5.00%
U.S. Treasuries	90,952	90,854	Variable	07/20/17 - 11/30/20	1.100	AA	17.10%
U.S. Treasury Strips	69	10	0.00%	11/15/18	1.380	AA	0.01%
Money Market Mutual Funds	248,292	248,292	Variable	07/03/17	0.000	AAA	46.68%
Bond Mutual Funds	6,377	6,377	0.79% - 7.35%	07/03/17	0.000	NR	1.20%
Mutual Funds	12,563	12,563	Variable	07/03/17	0.000	NR	2.36%
Stable Value Fund	15,499	15,499	Variable	07/03/17	0.000	NR	2.91%
	\$ 531,908	\$ 498,495			0.380 (4)		100.00%
<u>With External OCERS</u>							
<u>Restricted Investments (3)</u>							
	\$ 268,394						

(1) The County obtains credit ratings from S&P, Moody's, and Fitch. Credit Rating P-1 is from Moody's. The ratings indicative of the greatest degree of risk have been disclosed. NR means not rated. The ratings for U.S. Treasuries are not disclosed. The County is not required to disclose the credit ratings of obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

(2) Legend:
 FNMA-Federal National Mortgage Association
 FFCB-Federal Farm Credit Bank
 FHLB-Federal Home Loan Bank
 FHLMC-Federal Home Loan Mortgage Corporation
 SLGS-State and Local Government Series Certificate of Indebtedness

(3) The Retiree Medical Trust Reports \$268,394 of restricted investments with OCERS. Refer to Note 18. For more information regarding investments with OCERS, refer to their most recently issued financial statements available at <http://www.ocers.org/finance/finance.htm>.

(4) Portfolio weighted average maturity

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3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

The County categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices based on quoted identical assets in an active market.
- Level 2: Investments reflect prices that are based on identical or similar assets in inactive markets or similar assets in active markets. Inputs other than quotes are observable.
- Level 3: Investments reflect prices based on significant unobservable inputs.

Fair value measurement is based on pricing received from the County's third party vendors. Investments in money market mutual funds, the Local Agency Investment Fund (LAIF), and the U.S. Treasuries - State and Local Government Series (SLGS) Certificate of Indebtedness are priced using amortized cost which approximates fair value, with a net asset value of \$1.00 (in absolute dollar amounts) per share, and per GASB Statement No. 72 not subject to the fair value hierarchy. Additionally, guaranteed investment contracts are not subject to the fair value hierarchy.

The County uses the market approach method as a valuation technique in the application of GASB Statement No. 72. This method uses prices and other relevant information generated by market transactions involving identical or similar assets or groups of assets.

The following table presents a summary of the County's investments according to the assigned fair value hierarchy level as of June 30, 2017.

	Fair Value Measurement			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
OCIP				
U.S. Government Agencies	\$ 2,556,679	\$ --	\$ 2,556,679	\$ --
Negotiable Certificates of Deposit	99,198	--	99,198	--
Medium-Term Corporate Notes	375,030	--	375,030	--
Municipal Debt	183,339	--	183,339	--
U.S. Treasuries	609,619	--	609,619	--
Sub-total	<u>3,823,865</u>	<u>--</u>	<u>3,823,865</u>	<u>--</u>
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	181,788			
Local Agency Investment Fund (LAIF)	198			
Total	\$ 4,005,851			
OCEIP				
U.S. Government Agencies	\$ 2,947,963	\$ --	\$ 2,947,963	\$ --
Negotiable Certificates of Deposit	101,679	--	101,679	--
Medium-Term Corporate Notes	416,880	--	416,880	--
Municipal Debt	191,005	--	191,005	--
U.S. Treasuries	913,940	--	913,940	--
Sub-total	<u>4,571,467</u>	<u>--</u>	<u>4,571,467</u>	<u>--</u>
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	247,941			
Local Agency Investment Fund (LAIF)	206			
Total	\$ 4,819,614			

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

	Fair Value Measurement			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Specific Investments				
U.S. Government Agencies	\$ 64,807	\$ --	\$ 64,807	\$ --
U.S. Treasuries	16,451	--	16,451	--
Repurchase Agreements	1,082	--	--	1,082
Sub-total	<u>82,340</u>	<u>--</u>	<u>81,258</u>	<u>1,082</u>
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	4,035			
U.S. Treasuries - SLGS *	67,557			
Total	\$ 153,932			
With Trustees				
U.S. Government Agencies	\$ 158,156	\$ --	\$ 158,156	\$ --
U.S. Treasuries	91,021	358	90,663	--
Bond Mutual Funds	6,377	6,377	--	--
Mutual Funds	12,563	12,563	--	--
Sub-total	<u>268,117</u>	<u>19,298</u>	<u>248,819</u>	<u>--</u>
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	248,292			
Stable Value Fund	15,499			
Total	\$ 531,908			

* SLGS - State and Local Government Series Certificate of Indebtedness

Investment in County of Orange Taxable Pension Obligation Bonds 2017, Series A

On January 13, 2017, the OCIP and the OCEIP purchased the County issued Taxable Pension Obligation Bonds 2017, Series A (2017 POBs) in the principal amount of \$375,540. The 2017 POBs were issued with a fixed coupon rate with maturities from August 2017 to June 2018 and are solely owned by OCIP and OCEIP. The obligation of the County to pay principal and interest on the 2017 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2017, the outstanding principal amount of the 2017 POBs is \$375,540. The bonds are not rated by any of the NRSROs. The County's investment in the 2017 POBs is disclosed herein as Municipal Debt. For additional information, refer to Note 9, Short-Term Obligations, and Note 17, Retirement Plans.

Interest Rate Risk - Investments

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, investments of longer maturities are more sensitive to changes in market interest rates. Declines in the fair value of investments are managed by limiting the length of the maturity of the securities. In general, the maximum maturity allowed is five years unless the Board has granted express authority either specifically or as part of an investment policy. Actual weighted average days to maturity by investment type for the funds invested in the Pools are presented in the table in the Investment Disclosures section.

The OCIP of \$4,005,851 and the OCEIP of \$4,819,614 portfolios at June 30, 2017 have 33% and 42%, respectively, of the investments maturing in six months or less, 67% and 58%, respectively, maturing between six months and three years.

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – Investments (Continued)

As of June 30, 2017, variable-rate notes comprised 0.37% and 0.64% of the OCIP and the OCEIP, respectively. The notes are tied to the Federal Funds rate, the 90-day Treasury Bill rate, the one-month and three-month London Interbank Offered Rate (LIBOR) with daily, monthly and quarterly coupon resets. The fair value of variable-rate securities is generally less susceptible to changes in value because the variable-rate coupon resets back to a market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset. For purposes of computing weighted average maturity (WAM), the maturity date of variable-rate notes is the length of time until the next reset date rather than the stated maturity.

The annual average daily investment balance of the OCIP and the OCEIP was \$ 4,225,345 and \$4,189,092, respectively, with an annual net yield of 0.81% and 0.82% respectively, for the pools, for the year ended June 30, 2017.

Interest Rate Risk-Weighted Average Maturity (Short-term Pool)

At June 30, 2017, the OCMMF and OCEMMF investments fair values amounted to \$1,127,902 and \$1,821,325, respectively. In accordance with the Board formally approved IPS, the Treasurer manages the Pool's exposure to declines in fair value for deposits and investments by limiting the WAM to 60 days in the Money Market Funds. At June 30, 2017, the WAM of the OCMMF was 60 days and the OCEMMF was 58 days. At the same date, the NAV of both short-term pools was \$1.00 (in absolute dollar amounts).

Interest Rate Risk-Duration (Long-term Pool)

At June 30, 2017, the long-term pool (which includes funds from both the OCIP and the OCEIP) balance was \$5,876,238. Of this amount, the OCIP owned 49% and the OCEIP owned 51%. In accordance with the IPS, the Treasurer manages investment related risk for deposits and investments by limiting duration to +25% of a leading 1-3 Year index (2.35).

As of June 30, 2017, the long-term pool had the following duration by investment type:

Investment Type	Fair Value	Portfolio %	Duration (In Years)
Negotiable Certificate of Deposits	\$ 199,277	3.39%	1.25
Local Agency Investment Fund	404	0.01%	0.00
Medium-Term Corporate Notes	584,964	9.95%	1.38
Municipal Debt	374,344	6.37%	0.66
U.S. Government Agencies	3,523,546	59.96%	1.39
U.S. Treasuries	1,193,703	20.31%	1.32
Total Fair Value	<u>\$ 5,876,238</u>		
Portfolio Duration			1.32

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The IPS does not permit investments in uninsured and unregistered securities not held by the County. The Treasurer utilizes third party Delivery Versus Payment (DVP) which mitigates any custodial credit risk. Securities purchased by the Treasurer are held by third party custodians in their trust department to mitigate custodial credit risk. At year-end, in accordance with the IPS, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk, and the Treasurer did not have any securities lending during the year (or at year-end).

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Credit Risk - Investments

This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. The IPS sets forth the minimum acceptable credit ratings for investments from at least two of the following NRSROs: S&P, Moody's, or Fitch. For purchases of short-term debt, the issuer rating must be no less than A-1 or SP-1 (S&P), P-1 or MIG 1/VMIG 1 (Moody's), or F1 (Fitch) for purchases with remaining maturities less than 397 days, while purchases of long-term debt shall have issuer ratings no less than AA for purchases with remaining maturities longer than 397 days. Municipal debt issued by the County is exempt from the above credit rating requirements. As of June 30, 2017, the County's investments were in compliance with the IPS limits when purchased.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2017, all investments were in compliance with state law and the IPS single issuer limits. See the County's investments table for concentrations of holdings. The following holdings with Treasurer exceeded 5 percent of the portfolio at June 30, 2017.

With Treasurer:

Investment Type	Issuer	Percentage of Portfolio 2017
U.S. Government Agencies	Federal National Mortgage Association	10.36%
U.S. Government Agencies	Federal Farm Credit Bank	8.57%
U.S. Government Agencies	Federal Home Loan Bank	29.83%
U.S. Government Agencies	Federal Home Loan Mortgage Corporation	13.26%
U.S. Treasuries	United States Treasuries	17.90%

Foreign Currency Risk

The IPS requires all securities to be U.S. dollar denominated. The County investments are not exposed to foreign currency risk.

Condensed Financial Statements

In lieu of separately issued financial statements for the entire pools and the external portion of the pools, condensed financial statements for both pools are presented below as of and for the year ended June 30, 2017:

Entire Pool

Statement of Net Position

	OCIP	OCEIP	Total
Net Position Held for Pool Participants	\$ 4,094,194	\$ 4,827,922	\$ 8,922,116
Equity of Internal Pool Participants	\$ 3,679,347	\$ --	\$ 3,679,347
Equity of External Pool Participants	428,986	4,842,837	5,271,823
Undistributed and Unrealized (Loss)	(14,139)	(14,915)	(29,054)
Total Net Position	<u>\$ 4,094,194</u>	<u>\$ 4,827,922</u>	<u>\$ 8,922,116</u>

Statement of Changes in Net Position

	OCIP	OCEIP	Total
Net Position at July 1, 2016	\$ 3,905,974	\$ 4,229,524	\$ 8,135,498
Net Changes in Investments by Pool Participants	188,220	598,398	786,618
Net Position at June 30, 2017	<u>\$ 4,094,194</u>	<u>\$ 4,827,922</u>	<u>\$ 8,922,116</u>

3. **DEPOSITS AND INVESTMENTS (Continued)**

B. **Investments (Continued)**

Condensed Financial Statements (Continued)

External Pool Portion

Combining Statement of Fiduciary Net Position

	OCIP	OCEIP	Total
Assets			
Pooled Cash/Investments	\$ 427,888	\$ 4,813,429	\$ 5,241,317
Receivables			
Interest/Dividends	1,184	14,522	15,706
Total Assets	429,072	4,827,951	5,257,023
Liabilities			
Due to Other Governmental Agencies	86	29	115
Total Liabilities	86	29	115
Net Position			
Restricted for Pool Participants	428,986	4,827,922	5,256,908
Total Net Position	\$ 428,986	\$ 4,827,922	\$ 5,256,908

Combining Statement of Changes in Fiduciary Net Position

	OCIP	OCEIP	Total
Additions:			
Contributions to Pooled Investments	\$ 691,716	\$ 8,356,432	\$ 9,048,148
Interest and Investment Income	1,108	22,027	23,135
Less: Investment Expense	(166)	(2,648)	(2,814)
Total Additions	692,658	8,375,811	9,068,469
Deductions:			
Distributions from Pooled Investments	606,600	7,777,413	8,384,013
Total Deductions	606,600	7,777,413	8,384,013
Change in Net Position Held in Trust For External Investment Pool	86,058	598,398	684,456
Net Position, Beginning of Year	342,928	4,229,524	4,572,452
Net Position, End of Year	\$ 428,986	\$ 4,827,922	\$ 5,256,908

C. **Restricted Deposits and Investments with Trustees**

All monies for restricted investments held by trustees are invested in "permitted investments" as defined in the various trust agreements. Restricted deposits with trustees are insured by FDIC up to \$250 and the excess amounts are collateralized.

D. **CalOptima's Cash and Investments**

CalOptima categorizes its fair value investments within the fair value hierarchy established by GAAP. The hierarchy for fair value measurements is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

- Level 1 Quoted prices in active markets for identical assets or liabilities

3. **DEPOSITS AND INVESTMENTS (Continued)**

D. **CalOptima's Cash and Investments (Continued)**

- Level 2 Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly
- Level 3 Significant unobservable inputs

The following is a description of the valuation methodologies used for instruments at fair value on a recurring basis and recognized in the accompanying statement of net position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Marketable Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These securities are classified within Level 2 of the valuation hierarchy. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

	Investment Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ 540,798	\$ --	\$ --	\$ 540,798
Government	--	109,063	--	109,063
U.S. Agencies	--	119,391	--	119,391
Asset-Backed Securities	--	97,004	--	97,004
Corporate Bonds	--	451,582	--	451,582
Mortgage-Backed Securities	--	84,380	--	84,380
Municipal Bonds	--	88,410	--	88,410
Certificates of Deposit	--	55,581	--	55,581
Commercial Paper	--	47,777	--	47,777
	\$ 540,798	\$ 1,053,189	\$ --	\$ 1,593,987

Cash and investments are reported in the June 30 statement of net position as follows:

	2017
Current Assets:	
Cash and Cash Equivalents	\$ 510,063
Investments	1,082,426
Board-Designated Assets and Restricted Cash:	
Cash and Cash Equivalents	17,710
Investments	517,429
Restricted Deposit	300
Total	\$ 2,127,928

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure CalOptima may not be able to recover its deposits or collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure deposits made by public agencies by pledging securities in an undivided collateral pool held by a depository regulated under the State law. At June 30, 2017, no deposits were exposed to custodial credit risk, as CalOptima has pledged collateral to cover the amounts.

3. **DEPOSITS AND INVESTMENTS (Continued)**

D. **CalOptima's Cash and Investments (Continued)**

Investments

CalOptima invests in obligations of the U.S. Treasury, other U.S. government agencies and instrumentalities, state obligations, corporate securities, money market funds, and mortgage or asset-backed securities.

Interest rate risk

In accordance with its Annual Investment Policy (investment policy), CalOptima manages its exposure to decline in fair value from increasing interest rates by matching maturity dates to the extent possible with CalOptima's expected cash flow draws. Its investment policy limits maturities to five years, while also staggering maturities. CalOptima maintains a low-duration strategy, targeting a portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile because they are less sensitive to interest rate changes.

As of June 30, 2017, CalOptima's investments, including cash equivalents, had the following modified duration:

	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
U.S. Agencies	\$ 119,391	\$ 48,257	\$ 71,134
Asset-Backed Securities	97,004	—	97,004
Corporate Bonds	451,582	206,123	245,459
Government	109,063	86,287	22,776
Mortgage-Backed Securities	84,380	18,022	66,358
Municipal Bonds	88,410	19,159	69,251
U.S. Treasury Notes	540,798	239,394	301,404
Certificates of Deposits	55,581	36,575	19,006
Commercial Paper	47,777	47,777	—
Cash Equivalents	427,031	427,031	—
Cash	38,188	38,188	—
Total	<u>2,059,206</u>	<u>\$ 1,166,814</u>	<u>\$ 892,392</u>
Accrued Interest Receivable	5,901	—	—
	<u>\$ 2,065,107</u>		

Investment with fair values highly sensitive to interest rate fluctuations

When interest rates fall, debt is refinanced and paid off early. The reduced stream of future interest payments diminishes the fair value of the investment. The mortgage-backed and asset-backed securities in the CalOptima portfolio are of high credit quality, with relatively short average lives that represent limited prepayment and interest rate exposure risk. CalOptima's investments include the following investments that are highly sensitive to interest rate and prepayment fluctuations to a greater degree than already indicated in the information provided above:

	Fair Value, June 30, 2017
Asset-Back Securities	\$ 97,004
Mortgage-Backed Securities	84,380
	<u>\$ 181,384</u>

Credit risk

CalOptima's investment policy conforms to the California Government Code as well as to customary standards of prudent investment management. Credit risk is mitigated by investing in only permitted investments. The investment policy sets minimum acceptable credit ratings for investments from the three nationally recognized rating services: Standard and Poor's Corporation (S&P), Moody's Investor Service (Moody's) and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's) or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A."

3. **DEPOSITS AND INVESTMENTS (Continued)**

D. **CalOptima's Cash and Investments (Continued)**

As of June 30, 2017, following are the credit ratings of investments and cash equivalents:

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End						
				AAA	Aa & Aa+	Aa-	A+	A/A-1	A-	
U.S. Treasury Notes	\$ 556,752	N/A	\$ 556,752	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. Agency Notes	165,604	N/A	165,604	—	—	—	—	—	—	—
Corporate Bonds	383,258	A-	—	13,709	31,590	30,923	104,003	135,217	67,746	—
FRN Securities	144,908	A-	—	45,471	13,986	6,213	25,874	37,150	16,215	—
Asset-Backed Securities	125,247	AAA	—	67,063	15,855	9,441	—	2,887	—	—
Mortgage-Backed Securities	84,491	AAA	—	83,412	1,079	—	—	—	—	—
Municipal Bonds	63,299	A	—	2,567	27,034	33,210	—	—	487	—
Supranational	79,184	AAA	—	79,184	—	—	—	—	—	—
Certificates of Deposit	40,642	A1/P1	—	40,642	—	—	—	—	—	—
Commercial Paper	92,223	A1/P1	—	92,223	—	—	—	—	—	—
Money Market Mutual Funds	329,498	AAA	—	329,498	—	—	—	—	—	—
Total	<u>\$ 2,065,107</u>		<u>\$ 722,356</u>	<u>\$ 753,770</u>	<u>\$ 89,544</u>	<u>\$ 79,787</u>	<u>\$ 129,877</u>	<u>\$ 175,254</u>	<u>\$ 84,448</u>	

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of CalOptima's investment in a single issuer. CalOptima's investment policy limits to no more than 5 percent of the total fair value of investments in the securities of any one issuer, except for obligations of the U.S. government, U.S. government agencies or government-sponsored enterprises; and no more than 10 percent may be invested in one money market mutual fund unless approved by the governing board. The investment policy also places a limit of 35% of the amount of investment holdings with any one government-sponsored issuer and 5% of all other issuers. At June 30, 2017, all holdings complied with the foregoing limitations. The following holdings exceeded 5 percent of the portfolio at June 30, 2017:

Investment Type	Issuer	Percentage of Portfolio 2017
U.S. Agency Notes	Federal Home Loan Bank	2.05
U.S. Treasury Notes	United States Treasury	26.09

4. CHANGES IN CAPITAL ASSETS

Increases and decreases in the County's capital assets for governmental and business-type activities during the fiscal year were as follows:

	Primary Government				
	Balance	Increases	Decreases	Adjustments	Balance
	July 1, 2016				June 30, 2017
Governmental Activities:					
Capital Assets Not Depreciable/Amortizable:					
Land	\$ 834,406	\$ 4,867	\$ --	\$ --	\$ 839,273
Land Use Rights (Permanent)	7,602	--	--	--	7,602
Construction in Progress	118,864	142,426	(85,843)	--	175,447
Intangible in Progress	3,453	4,778	(2,669)	--	5,562
Total Capital Assets Not Depreciable/Amortizable	964,325	152,071	(88,512)	--	1,027,884
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	1,235,613	11,507	(42)	--	1,247,078
Land Improvements	2,629	1,617	--	--	4,246
Equipment	417,640	51,974	(15,551)	(437)	453,626
Software	110,156	13,215	(822)	--	122,549
Infrastructure:					
Flood Channels	1,244,714	9,842	(810)	--	1,253,746
Roads	238,578	54,523	--	--	293,101
Bridges	106,795	9,587	--	--	116,382
Trails	44,073	--	--	--	44,073
Traffic Signals	11,956	--	--	--	11,956
Harbors and Beaches	41,238	--	--	--	41,238
Total Capital Assets, Depreciable/Amortizable	3,453,392	152,265	(17,225)	(437)	3,587,995
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(663,282)	(31,628)	42	--	(694,868)
Land Improvements	(193)	(242)	--	--	(435)
Equipment	(307,643)	(21,228)	15,091	--	(313,780)
Software	(71,443)	(7,672)	774	--	(78,341)
Infrastructure:					
Flood Channels	(318,487)	(16,844)	967	--	(334,364)
Roads	(133,791)	(8,318)	--	--	(142,109)
Bridges	(39,130)	(2,218)	--	--	(41,348)
Trails	(33,861)	(1,048)	--	--	(34,909)
Traffic Signals	(10,832)	(115)	--	--	(10,947)
Harbors and Beaches	(30,132)	(1,008)	--	--	(31,138)
Total Accumulated Depreciation/Amortization	(1,608,794)	(90,319)	16,874	--	(1,682,239)
Total Capital Assets, Depreciable/Amortizable (Net)	1,844,598	61,946	(351)	(437)	1,905,756
Governmental Activities Total Capital Assets, Net	\$ 2,808,923	\$ 214,017	\$ (88,863)	\$ (437)	\$ 2,933,640

Capital asset activity for the year ended June 30, 2017 includes a negative adjustment of \$437 in Equipment due to prior years' accruals of non-capital expenses.

4. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government				
	Balance	Increases	Decreases	Adjustments	Balance
	July 1, 2016				June 30, 2017
Business-Type Activities:					
Capital Assets Not Depreciable/Amortizable:					
Land	\$ 37,842	\$ --	\$ --	\$ --	\$ 37,842
Construction in Progress	40,555	86,302	(22,925)	--	103,932
Intangible in Progress	2,068	20	(1,833)	--	255
Total Capital Assets Not Depreciable/Amortizable	80,465	86,322	(24,758)	--	142,029
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	782,234	7,029	--	--	789,263
Equipment	81,977	7,113	(5,127)	--	83,963
Software	1,407	2,234	--	--	3,641
Infrastructure	602,689	18,479	--	--	621,168
Total Capital Assets, Depreciable/Amortizable	1,468,307	34,855	(5,127)	--	1,498,035
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(283,083)	(24,953)	--	--	(308,036)
Equipment	(58,079)	(5,072)	4,777	--	(58,374)
Software	(281)	(469)	--	--	(750)
Infrastructure	(358,400)	(16,765)	--	--	(375,165)
Total Accumulated Depreciation/Amortization	(699,843)	(47,259)	4,777	--	(742,325)
Total Capital Assets, Depreciable/Amortizable (Net)	768,464	(12,404)	(350)	--	755,710
Business-Type Activities Total Capital Assets, Net	\$ 848,929	\$ 73,918	\$ (25,108)	\$ --	\$ 897,739

Depreciation/Amortization expense was allocated among functions of the primary government as follows:

Government Activities:	
General Government	\$ 9,181
Public Protection	42,459
Public Ways and Facilities	13,177
Health and Sanitation	3,736
Public Assistance	4,814
Education	1,482
Recreation and Cultural Services	7,384
Internal Service Funds' Depreciation Expense Allocated to Various Functions	8,086
Total Governmental Activities Depreciation/Amortization Expense	90,319
Business-Type Activities:	
Airport	29,820
Waste Management	17,439
Total Business-Type Activities Depreciation/Amortization Expense	47,259
Total Depreciation/Amortization Expense	\$ 137,578

5. RECEIVABLES

GASB Statement No. 38, "Certain Financial Statement Note Disclosures," requires identification of receivable balances not expected to be collected within one year. The details of the receivables reported in the government-wide Statement of Net Position that are not expected to be collected within the next fiscal year are identified below:

Accounts Receivable

Accounts Receivable had a balance of \$26,503 as of June 30, 2017. Of this amount, \$951 is not expected to be collected within the next fiscal year. This primarily consists of \$656 for animal care delinquent invoices and \$256 of expected recoveries from the Airport's multi-year fixed-base operator lessee for pollution remediation costs.

Deposits Receivable

Deposits Receivable had a balance of \$4,921 as of June 30, 2017. Of this amount, \$4,081 is not expected to be collected within the next fiscal year. This primarily consists of \$3,283 in operating accounts for Dana Point Harbor operators, the Green River Golf Course, and other deposits held for contracted services. In addition, \$528 is not expected to be collected within the next fiscal year for deposits held in condemnation proceedings related to real property acquired through eminent domain.

Due from Other Governmental Agencies

Due from Other Governmental Agencies had a balance of \$414,207 as of June 30, 2017. Of this amount, \$44,807 is not expected to be received within the next fiscal year, which primarily consists of \$24,637 owed by the State of California to the County for various mandated cost reimbursements for programs and services the State requires the County to provide. \$17,571 is for expected reimbursement of the Santa Ana River Subvention claims that will be submitted to the State Department of Water Resources and \$2,253 is for behavioral health activities. In addition, \$119 is owed by the city of Rancho Santa Margarita for amounts due under their Revenue Neutrality Agreement.

Notes Receivable

Notes Receivable had a balance of \$27,572 as of June 30, 2017. Of this amount, \$27,118 is not expected to be received within the next fiscal year. This primarily consists of \$24,426 for loans to build affordable, low to moderate income, and senior housing. In addition, \$2,030 is for housing loans for MHSA programs and \$597 is for loans provided to first time home buyers.

6. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables may result from services rendered by one fund to another fund, or from interfund loans. "Due from" and "due to" balances are generally used to reflect short-term interfund receivables and payables whereas "advance from" and "advance to" balances are long-term.

6. INTERFUND RECEIVABLES AND PAYABLES (Continued)

The composition of interfund balances as of June 30, 2017 is as follows:

Due from/to other funds:

Payable Funds	Receivable Funds								Total
	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	Airport	Waste Management	Compressed Natural Gas	Internal Service Funds	
General Fund	\$ --	\$ 1,751	\$ 3,606	\$ 34,036	\$ 52	\$ 9	\$ 5	\$ 4,266	\$ 43,725
Flood Control District	9,639	--	--	742	--	46	--	4	10,431
Other Public Protection	14,690	--	--	605	--	--	--	12	15,307
Mental Health Services Act	15,288	--	--	--	--	--	--	--	15,288
Other Governmental Funds	56,787	996	1	2,345	--	31	--	161	60,321
Airport	2,330	4	1	57	--	--	--	213	2,605
Waste Management	3,728	17	--	165	--	--	--	24	3,934
Compressed Natural Gas	19	--	--	--	--	--	--	--	19
Internal Service Funds	2,437	34	--	13	--	--	--	37	2,521
Total	\$ 104,918	\$ 2,802	\$ 3,608	\$ 37,963	\$ 52	\$ 86	\$ 5	\$ 4,717	\$ 154,151

Interfund transactions between the Primary Government and Component Unit:

Receivable Entity	Payable Entity	Amount
Primary Government – General Fund	Component Unit – CFDOC	\$ 339
Component Unit – CFDOC	Primary Government – Other Governmental Funds	1

The majority of the interfund balances resulted from the time lag between the time that: (1) goods and services were provided, (2) transactions were recorded in the accounting system, and (3) payments between the funds were made.

Advances to/from other funds:

Receivable Entity	Payable Entity	Amount
General Fund	Other Governmental Funds	\$ 3,800
Waste Management	General Fund	784
Waste Management	Other Governmental Funds	28,840

The interfund loans represent an advance to the Courthouse Construction Fund from the General Fund to backfill the deficit as a result of a state audit of court revenues for FY 2003-04 through FY 2011-12. The Waste Management Fund made advances to the General Fund for various information technology capital projects and to Other Governmental Funds for the Sheriff-Coroner's James A. Musick Facility Expansion project. The Waste Management Fund also made advances to Orange County Community Resources for the construction of a new OC Animal Care Center, replacing the existing shelter in the city of Orange.

7. COUNTY PROPERTY ON LEASE TO OTHERS

The County has noncancelable operating leases for certain buildings, which are not material to the County's general operations. The Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires, and the Waste Management Enterprise Fund derives revenue from landfill gas lease agreements, cell tower operators and a material recovery facility. The Enterprise Funds' property under operating leases, consisting primarily of structures and improvements, at June 30, 2017, approximates \$60,466, net of accumulated depreciation.

7. COUNTY PROPERTY ON LEASE TO OTHERS (Continued)

The County leases real property to others under operating lease agreements for recreational boating, retail, restaurant, and other commercial operations. Future minimum rentals to be received under these noncancelable operating leases as of June 30, 2017 are as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities
2018	\$ 13,955	\$ 56,616
2019	12,496	43,688
2020	11,872	35,153
2021	10,795	23,702
2022	10,783	6,564
	<u>59,901</u>	<u>165,723</u>
2023-2027	46,944	16,472
2028-2032	45,411	13,194
2033-2037	50,223	--
2038-2042	24,260	--
2043-2047	4,827	--
2048-2052	4,509	--
2053-2057	4,780	--
2058-2062	5,065	--
2063-2067	5,358	--
2068-2072	5,843	--
2073-2077	6,242	--
2078-2081	4,606	--
	<u>208,068</u>	<u>29,666</u>
Total future minimum rentals	\$ <u>267,969</u>	\$ <u>195,389</u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$33,540 (Enterprise Funds), \$5,994 (Other Governmental Funds), \$550 (Internal Service Funds) and \$346 (Flood Control District) for the year ended June 30, 2017.

8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017 were as follows:

Transfer Out Funds	Transfer In Funds						Total
	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	Waste Management	Internal Service Funds	
General Fund	\$ --	\$ --	\$ 16,578	\$ 130,641	\$ 6	\$ 6,083	\$ 153,308
Flood Control District	2,767	--	--	25	--	1,141	3,933
Other Public Protection	28,338	--	--	1,248	--	240	29,826
Mental Health Services Act	137,914	--	--	--	--	--	137,914
Other Governmental Funds	113,270	--	--	192,768	27	845	306,910
Waste Management	25,805	--	--	--	--	--	25,805
Compressed Natural Gas	--	150	--	--	--	--	150
Internal Service Funds	3,874	215	--	--	--	12	4,101
Total	<u>\$ 311,968</u>	<u>\$ 365</u>	<u>\$ 16,578</u>	<u>\$ 324,682</u>	<u>\$ 33</u>	<u>\$ 8,321</u>	<u>\$ 661,947</u>

Interfund transfers reflect a flow of assets between funds and blended component units of the primary government without an equivalent flow of assets in return. Routine transfers were made in the current fiscal year to: (1) relay cash/resources from contributing County funds to various debt service funds for the retirement of long-term obligations, (2) transfer Measure H Tobacco Settlement revenues and Public Safety Sales Tax

8. INTERFUND TRANSFERS (Continued)

(PSST) excess revenue in compliance with the specific statutory requirements, (3) provide resources for services provided within the County's Wraparound Program, (4) make available cash distributions based on the Bankruptcy Recovery Plan, (5) contribute resources to comply with Proposition 63 MHSA, and (6) transfer excess unrestricted revenues to finance various County programs based on budgetary authorizations by the Board. Not all-inclusive, the summary below details some of the more significant transfers:

Routine Transfers

From General Fund

- \$22,520 was transferred to Other Governmental Funds in connection with debt service payments for various County debt issues.
- \$17,103 was transferred to Other Governmental Funds to distribute available cash to the remaining claimants of the bankruptcy loss as part of the Bankruptcy Recovery Plan.
- \$12,927 was transferred to Other Governmental Funds to finance the County's 60 percent share of the Social Services Agency Wraparound Program.
- \$12,445 was transferred to Other Public Protection for the purchase of new equipment for the 800 MHz County-Wide Coordinated Communications system.
- \$3,827 was transferred to Internal Service Funds primarily for the purchase of Sheriff-Coroner vehicles.
- \$2,000 was transferred to Other Governmental Funds for the maintenance and repair of various Probation Criminal Justice Facilities.
- \$1,853 was transferred to Internal Service Funds for medical reimbursements.

From Flood Control District

- \$2,456 was transferred to the General Fund for the Watershed Management Program.

From Other Public Protection

- \$12,441 was transferred to the General Fund to support the Sheriff-Coroner Department's operations.
- \$6,617 was transferred to the General Fund for the reimbursement of various District Attorney Programs, such as Proposition 64 Consumer Protection Fund, Real Estate Fraud, Orange County Auto Theft Task Force (OCATT), and Supplemental Law Enforcement Services Fund (SLESF).
- \$3,378 was transferred to the General Fund for the reimbursement of qualifying Public Protection expenditures incurred by the Clerk-Recorder's Office for specific charges mandated by state law that includes modernization of the County's record keeping system, health statistics, micrographics, and security measures.
- \$2,235 was transferred to the General Fund for the Sheriff-Coroner's Backbone Cost Sharing Program.

From Mental Health Services Act

- \$137,914 was transferred to the General Fund for the reimbursement of qualifying Proposition 63 MHSA expenditures.

From Other Governmental Funds

- \$41,162 was transferred to the General Fund for the reimbursement of various County programs as follows:
 - \$27,478 for the Social Services Agency Wraparound Program
 - \$7,533 for Emergency Medical Services
 - \$5,000 for the Center for Disease Control pandemic flu H1N1 costs
 - \$1,151 for the Alcohol & Drug Assessment and Automated Vital Health Statistics program
- \$27,721 of tobacco settlement monies was transferred to the General Fund to finance Health Care Agency's various health care programs and Sheriff-Coroner Department's operational costs.
- \$4,979 was transferred to the General Fund for reimbursement of Juvenile Justice Center debt service payments.

8. INTERFUND TRANSFERS (Continued)

Routine Transfers (Continued)

- \$2,405 was transferred to the General Fund for reimbursement of debt service payments associated with parking facilities.

From Enterprise Funds

- \$25,805 was transferred from Waste Management to the General Fund primarily to pay bankruptcy related obligations in accordance with the County's comprehensive recovery plan.

In addition, the County had non-recurring transfers in the current fiscal year, which consisted of the following:

Non-Recurring Transfers

From General Fund

- \$39,932 was transferred to Other Governmental Funds for various capital projects including, the El Toro Development project, the Year-Round Emergency Shelter and Multi Service Center, and the Civic Center Facilities Master Plan.
- \$12,183 was transferred to Other Governmental Funds for data systems development projects including the Property Tax System re-platforming project.
- \$11,620 was transferred to Other Governmental Funds for the excess Teeter Tax Loss Reserves.
- \$7,375 was transferred to Other Governmental Funds to reimburse expenditures for Sheriff-Coroner construction and facility development projects.
- \$4,100 was transferred to Other Governmental Funds for the design of the Probation South County Facility.
- \$2,270 was transferred to Other Public Protection for the Building and Safety operating reserve.

From Internal Service Funds

- \$3,665 was transferred to the General Fund for various data systems development projects.

From Flood Control District

- \$1,141 was transferred to Internal Service Funds for the purchase of vehicles.

From Other Public Protection

- \$1,879 was transferred to the General Fund for funding of technological improvements, such as the Customer Relationship Management/Land Management Software (CRM/LMS).
- \$1,150 was transferred to the Other Governmental Funds for Sheriff-Coroner capital projects, including the kitchen floor at the Theo Lacy facility.
- \$1,014 was transferred to the General Fund to cover the shortfall of state and federal appropriations over department expenditures in Child Support Services.

From Other Governmental Funds

- \$152,489 was transferred within Other Governmental Funds for upcoming construction activities related to Building 16 as part of the Civic Center Facilities Master Plan.
- \$37,813 was transferred within the Other Governmental Funds for reimbursement of costs related to the Central Utility Facility (CUF) Infrastructure upgrade.
- \$33,352 was transferred to the General Fund for funding multi-year capital projects, including the Civic Center Facilities Master Plan and Year-Round Emergency Shelter and Multi Service Center.
- \$2,215 was transferred to the General Fund to fund various IT project costs, such as computer hardware and software support services.
- \$1,144 was transferred to the General Fund for the surplus reserves transfer to the County from the 2005 Lease Revenue Refunding Bonds.
- \$1,091 was transferred to the General Fund for debt service payments for the CUF and Co-Generation facilities.

9. SHORT-TERM OBLIGATIONS

Taxable Pension Obligation Bonds, 2016 Series A

On January 13, 2016, the County issued Taxable Pension Obligation Bonds, 2016 Series A (the 2016 POBs) in the principal amount of \$334,275. The 2016 POBs were issued in order to prepay the County's FY 2016-17 pension contribution at a discount. The 2016 POBs were issued as standard bonds, with five fixed rate tranches, and with a final maturity date of June 30, 2017. The obligation of the County to pay principal and interest on the 2016 POBs is imposed by law and is absolute and unconditional. The County repaid in full the outstanding balance of the bonds on June 30, 2017.

Taxable Pension Obligation Bonds, 2017 Series A

On January 13, 2017, the County issued Taxable Pension Obligation Bonds, 2017 Series A (the 2017 POBs) in the principal amount of \$375,540. The 2017 POBs were issued in order to prepay the County's FY 2017-18 pension contribution at a discount. The 2017 POBs were issued as standard bonds, with five fixed rate tranches, and with a final maturity date of June 29, 2018. The obligation of the County to pay principal and interest on the 2017 POBs is imposed by law and is absolute and unconditional. As of June 30, 2017, the outstanding principal amount of the 2017 POBs reported in the General Fund was \$375,540. Refer to Note 3, Deposits and Investments and Note 17, Retirement Plans for additional information.

Description	Balance	Issuances & Discount/ Premium	Retirements	Balance	Amounts
	July 1, 2016	Amortization		June 30, 2017	Due within One Year
County of Orange					
<u>Taxable Pension Obligation Bonds, 2016 Series A</u>					
Date Issued:	January 13, 2016				
Interest Rate:	0.753% to 1.208%				
Original Amount:	\$334,275				
Maturing in installments through June 30, 2017	\$ 334,275	\$ --	\$ (334,275)	\$ --	\$ --
County of Orange					
<u>Taxable Pension Obligation Bonds, 2017 Series A</u>					
Date Issued:	January 13, 2017				
Interest Rate:	0.9795% to 1.4809%				
Original Amount:	\$375,540				
Maturing in installments through June 29, 2018	--	375,540	--	375,540	375,540
Total	\$ 334,275	\$ 375,540	\$ (334,275)	\$ 375,540	\$ 375,540

10. LONG-TERM OBLIGATIONS

General Bonded Debt

General Obligation Bonded Debt

The amount of general obligation bonded indebtedness the County can incur is limited by law to 1.25% of the last equalized assessment property tax roll. At June 30, 2017, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$6,638,152. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIII A, Section 1 requires the approval of 2/3 of the voters voting on the proposition.

Bankruptcy Obligations

Lease Revenue Refunding Bonds, Series 2005

On August 16, 2005, the Orange County Public Financing Authority (OCPFA) issued its \$419,755 Lease Revenue Refunding Bonds, Series 2005 (Series 2005 Bonds) at a premium of \$19,973. The proceeds of which, together with certain monies contributed by the County and other funds available to the trustee of the 1996 Recovery Certificates of Participation (Recovery COPs), were used to defease certain non-callable Recovery COPs, the remainder was used to fund a debt service reserve fund for the Series 2005 Bonds and pay costs of issuance of the Series 2005 Bonds. As of June 30, 2017, the outstanding principal amount, including the premium of the Series 2005 Bonds, and remaining interest were \$6,038 and \$135, respectively.

The Series 2005 Bonds are limited obligations of the OCPFA payable through July 2017 and are payable solely from base rental payments to be made by the County pursuant to a lease, dated as of August 1, 2005, between the OCPFA and the County, and other amounts held by the trustee in the funds and accounts established under the indenture (other than the rebate fund), except as otherwise provided in the indenture.

Revenue Bonds Payable and Certificates of Participation

Refunding Certificates of Participation (Civic Center Parking Facilities Project)

In December 1987, Certificates of Participation (COPs) representing the proportionate interests of the owners thereof in lease payments made by the County under lease agreements between the County and the Orange County Public Facilities Corporation were delivered. The proceeds were used to finance the acquisition, construction, and installation of two parking structures located in the City of Santa Ana. These certificates were refunded in August 1991 with the \$33,579 Refunding COPs (Civic Center Parking Facilities Project), which are payable through December 2018. At June 30, 2017, the outstanding principal amount, interest accretion, and unaccreted interest of the Refunding COPs were \$811, \$3,876 and \$510, respectively.

The Refunding COPs are secured by lease payments made by the County through a facilities lease with the Orange County Public Facilities Corporation.

Lease Revenue Bonds, Series 2006

On October 19, 2006, the OCPFA issued its \$32,700 Lease Revenue Bonds, Series 2006 (Series 2006 Bonds) at a premium of \$2,140. The Lease Revenue Bonds, payable through June 2018, were issued to finance the construction of a cogeneration conversion project at the County's Central Utility Facility, fund a debt service reserve fund for the bonds, and pay costs relating to the issuance of the bonds. As of June 30, 2017, the outstanding principal amount, including the premium of the Series 2006 Bonds, and remaining interest were \$4,396 and \$200, respectively.

10. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Lease Revenue Bonds, Series 2006 (Continued)

The bonds are limited obligations of the OCPFA payable solely from and secured solely by revenues of the Authority, consisting primarily of certain rental payments to be made by the County pursuant to and as defined in the lease.

Lease Revenue Refunding Bonds, Series 2012 (Juvenile Justice Center Facility)

On April 25, 2012, the South Orange County Public Financing Authority (SOCPPFA) issued the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012 Bonds, in the principal amount of \$34,380, payable through June 2019, with a premium of \$2,927. The Lease Revenue Refunding Bonds were issued to redeem the outstanding OCPFA Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002, fund a reserve fund, and pay costs relating to the issuance of the bonds. As of June 30, 2017, the outstanding principal amount, including the premium of the Series 2012 Bonds, and remaining interest were \$11,893 and \$743, respectively.

The bonds are special obligations of the SOCPPFA payable solely from and secured by the base rental payments to be made by the County pursuant to a lease, dated as of April 1, 2012, between the SOCPPFA and the County, and other amounts held by the trustee in the funds and accounts established under the indenture (other than the rebate fund), except as otherwise provided in the indenture.

Central Utility Facility Lease Revenue Bonds, Series 2016

On June 2, 2016, the SOCPPFA issued its \$56,565 Lease Revenue Bonds, Series 2016 at a premium of \$11,724. The Lease Revenue Bonds, payable through April 2036, were issued to finance the acquisition, construction, and installation of certain capital improvements to be owned by the County and to pay costs relating to the issuance of the bonds. As of June 30, 2017, the outstanding principal amount, including the premium of the Series 2016 Bonds, and interest were \$66,025 and \$30,925, respectively.

The bonds are special obligations of the SOCPPFA payable from and secured by the base rental payments to be made by the County pursuant to and as required under the lease agreement and the amounts held in all funds and accounts (other than the rebate fund) under the indenture.

Taxable Refunding Pension Obligation Bonds, Series 1996A and 1997A

In September 1994, the County issued its Taxable Pension Obligation Bonds, Series 1994A in the aggregate principal amount of \$209,840 and Series 1994B in the aggregate principal amount of \$110,200 (Series 1994 Pension Bonds). The Series 1994 Pension Bonds were partially refunded with proceeds of the County's Taxable Refunding Pension Obligation Bonds, Series 1996A and Series 1997A.

On May 11, 2000, a cash tender offer of certain outstanding Pension Obligation Bonds was completed. The County purchased and canceled \$288,290 (maturity value) of Pension Obligation Bonds for a cost of \$179,016. On June 22, 2000, the debt service on the outstanding Pension Obligation Bonds was provided for through the deposit with the trustee of \$175,492 principal amount of "AAA" rated debt securities issued by Fannie Mae, along with \$9,151 in debt service funds already being held by the trustee. In accordance with irrevocable instructions, these securities, together with other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature. Because this was an economic defeasance and not a legal defeasance, this debt will be reported in the County's financial statements until it is fully redeemed. As of June 30, 2017, the Series 1996A Pension Obligation Bonds were fully redeemed. The outstanding principal amount, interest accretion, and unaccreted interest of the Series 1997 A Pension Obligation Bonds were \$11,220, \$42,765, and \$9,557, respectively.

10. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Airport Revenue Bonds, Series 2009A and 2009B

On July 9, 2009, the Airport issued the Airport Revenue Bonds, Series 2009A and 2009B (2009A and 2009B Bonds) in the aggregate principal amount of \$233,115, with an original issue net premium of \$288. The 2009A and 2009B Bonds were issued to finance a portion of the Airport Improvement Program (AIP), fund the debt service requirement for the bonds, fund capitalized interest on a portion of the bonds, and pay costs relating to the issuance of the bonds. The AIP consists of numerous direct improvements to the Airport facilities such as the construction of the new Terminal C, Parking Structure C, and two new commuter/regional holdrooms at the north and south ends of the extended Terminal. For the year ended June 30, 2017, the total interest expense incurred and the amount included as part of the cost of capital assets under construction were \$9,541 and \$2,437, respectively. As of June 30, 2017, the outstanding principal amount, including net discount, of the 2009A and 2009B Bonds were \$58,070 and \$129,248, respectively, and the outstanding interest amounts were \$39,391 and \$47,548, respectively. The 2009B Bonds, in the amount of \$27,210, were called for early partial redemption on July 1, 2017. Refer to Note 20, Subsequent Events for additional information.

The 2009A and 2009B Bonds are secured by a pledge of (1) operating revenues, net of specified operating expenses, (2) interest earnings, (3) other miscellaneous revenue, and (4) available PFC revenue.

Advance Refunding

In prior years, various bonds, COPs, and other obligations have been advance refunded. These obligations are considered defeased, and the long-term debt liability has been removed from the related governmental funds and enterprise funds. As of June 30, 2017, \$8,045 of legally defeased debt remains outstanding.

Fiscal Year 2016-17 Debt Obligation Activity

During FY 2016-17, the following events concerning County debt obligations took place:

Teeter Plan Notes

On February 1, 2013, the County issued its three-year tax exempt Teeter Plan Notes, Series B with Wells Fargo Municipal Capital Strategies, LLC and Wells Fargo Bank, National Association, under the Note Purchase and Reimbursement Agreement. The Teeter Plan Notes were authorized for a total amount of \$150,000 and certain delinquent taxes (excluding penalties and interest) were pledged revenues for the Teeter Plan Notes. The rate for the Teeter Plan Notes was based on the weekly Securities Industry and Financial Markets Association (SIFMA) index plus 0.58%. All of the Teeter Plan Notes were issued within three years of February 1, 2013, with a maturity date of January 29, 2016.

On January 29, 2016, the Note Purchase and Reimbursement Agreement was extended upon mutual agreement between Wells Fargo and the County. In addition, the authorized total was revised to not exceed \$100,000, and all other terms and conditions in the Agreement remained unchanged. Teeter Plan Obligation Notes, Series B were issued to retire the old Teeter Notes maturing January 29, 2016. The new Notes have a maturity date of July 31, 2018. The outstanding amount of the Teeter Plan Notes as of June 30, 2016 was \$30,191.

On July 13, 2016, the County issued an additional \$31,536 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of \$61,727. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll.

10. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year 2016-17 Debt Obligation Activity (Continued)

Teeter Plan Notes (Continued)

On December 29, 2016 and June 27, 2017, the County used all of the accumulated base taxes to redeem \$24,364 and \$9,495, respectively, of the Teeter Plan Notes. As of June 30, 2017, the outstanding principal amount of the Teeter Plan Notes was \$27,868. For additional information regarding the Teeter Plan Notes, refer to Note 20, Subsequent Events.

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2016-17

The table below summarizes the revenue bonds and certificates of participation outstanding and related activity for the year ended June 30, 2017.

Description	Balance July 1, 2016	Issuances and Discount/ Premium/ Amortization	Accreted Interest	Retirements	Balance June 30, 2017	Amounts Due within One Year
Governmental Activities:						
Orange County Public Financing Authority						
Lease Revenue Refunding Bonds, Series 2005						
Date Issued: August 16, 2005 to Refund and Defeas the 1996 Recovery Certificates of Participation - Series 1996A						
Interest Rate: 3.00% to 5.75%						
Original Amount: \$419,755						
FY 2016-17 Principal and Interest: \$38,622						
FY 2016-17 Total Pledged Revenues: \$6,038						
Maturing in installments through July 1, 2017						
	\$ 46,706	\$ (3,243)	\$ --	\$ (37,425)	\$ 6,038	\$ 6,038
Orange County Public Facilities Corporation						
Refunding Certificates of Participation						
(Civic Center Parking Facilities Project)						
Date Issued: August 1, 1991 - Current Interest Rate Bonds (CB) and Capital Appreciation Bonds (CAB) to Refund the 1987 COPs Bond Issue						
Interest Rate: CB - 4.40% to 6.75%						
Interest Rate: CAB - 6.85% to 7.05%						
Original Amount: CB - \$24,495						
Original Amount: CAB - \$9,084						
FY 2016-17 Principal and Interest: \$2,608						
FY 2016-17 Total Pledged Revenues: \$2,405						
Maturing in Installments Through December 1, 2018						
	1,262	--	--	(451)	811	419
Interest Accretion on CAB						
	5,545	--	488	(2,157)	3,876	2,179
Orange County Public Financing Authority						
Lease Revenue Bonds, Series 2006						
Date Issued: October 19, 2006						
Interest Rate: 4.00% to 5.00%						
Original Amount: \$32,700						
FY 2016-17 Principal and Interest: \$4,200						
FY 2016-17 Total Pledged Revenues: \$4,151						
Maturing in installments through June 1, 2018						
	8,574	(368)	--	(3,810)	4,396	4,396
South Orange County Public Financing Authority						
Juvenile Justice Center Facility Lease Revenue Refunding Bonds - Series 2012						
Date Issued: April 25, 2012 to refund the 2002 Juvenile Justice Center Bonds issue						
Interest Rate: 1.00% to 5.00%						
Original Amount: \$34,380						
FY 2016-17 Principal and Interest: \$5,824						
FY 2016-17 Total Pledged Revenues: \$7,920						
Maturing in installments through June 1, 2019						
	17,576	(568)	--	(5,115)	11,893	6,032
South Orange County Public Financing Authority						
Central Utility Facility Lease Revenue Bonds, Series 2016						
Date Issued: June 2, 2016						
Interest Rate: 3.00% to 5.00%						
Original Amount: \$56,565						
FY 2016-17 Principal and Interest: \$4,485						
FY 2016-17 Total Pledged Revenues: \$2,545						
Maturing in installments through April 1, 2036						
	68,289	(44)	--	(2,220)	66,025	1,938

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2016-17 (Continued)

Description	Balance July 1, 2016	Issuances and Discount/ Premium/ Amortization	Accreted Interest	Retirements	Balance June 30, 2017	Amounts Due within One Year
County of Orange						
Taxable Refunding Pension						
Obligation Bonds - Series 1996 A:						
Date Issued: June 1, 1996 - Current Interest Rate Bonds (CB)						
Date Issued: June 12, 1996 - Capital Appreciation Bonds (CAB)						
To Refund the Taxable POBs Series 1994 B						
Interest Rate: CB - 7.47% to 7.72%						
Interest Rate: CAB - 8.09% to 8.26%						
Original Amount: CB - \$81,680						
Original Amount: CAB - \$40,000						
Maturing in installments through September 1, 2010 (CB) and September 1, 2016 (CAB)						
	\$ 5,071	\$ --	\$ --	\$ (5,071)	\$ --	\$ --
Interest Accretion on CAB						
	19,951	--	1,033	(20,984)	--	--
County of Orange						
Taxable Refunding Pension						
Obligation Bonds - Series 1997 A:						
Date Issued: January 1, 1997 - Current Interest Rate Bonds (CB)						
Date Issued: January 14, 1997 - Capital Appreciation Bonds (CAB)						
To Refund the Taxable POBs Series 1994 A						
Interest Rate: CB - 5.71% to 7.36%						
Interest Rate: CAB - 7.33% to 7.96%						
Original Amount: CB - \$71,605						
Original Amount: CAB - \$65,318						
Maturing in installments through September 1, 2010 (CB) and September 1, 2021 (CAB)						
	14,069	--	--	(2,849)	11,220	3,003
Interest Accretion on CAB						
	48,430	--	4,549	(10,214)	42,765	11,997
County of Orange						
Teeter Plan Notes						
Date of Issuance: January 29, 2016						
Interest Rate: SIFIA Index + 0.58%						
Original Amount: \$40,387						
FY 2016-17 Principal and Interest: \$34,459						
FY 2016-17 Total Pledged Revenues: \$26,078						
Maturing on July 31, 2018						
	30,191	31,536	--	(33,859)	27,868	--
Subtotal - Governmental Activities						
	<u>265,664</u>	<u>27,313</u>	<u>6,070</u>	<u>(124,155)</u>	<u>174,892</u>	<u>36,002</u>
Business-Type Activities:						
Airport Revenue Bonds - Series 2009A and 2009B:						
Date Issued: July 9, 2009						
Interest Rate: 3.00% to 5.75%						
Original Amount: \$233,115						
FY 2016-17 Principal and Interest: \$17,529						
FY 2016-17 Total Pledged Revenues: \$54,652						
Maturing in installments through July 1, 2039						
	195,127	(279)	--	(7,530)	187,318	35,090
Subtotal - Business-Type Activities						
	<u>195,127</u>	<u>(279)</u>	<u>--</u>	<u>(7,530)</u>	<u>187,318</u>	<u>35,090</u>
Total						
	<u>\$ 460,791</u>	<u>\$ 27,034</u>	<u>\$ 6,070</u>	<u>\$ (131,685)</u>	<u>\$ 362,210</u>	<u>\$ 71,092</u>

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Service Requirements to Maturity

The following is a schedule of all long-term debt service requirements to maturity by activity type on an annual basis.

Fiscal Year(s) Ending June 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 20,177	\$ 17,663	\$ 35,090	\$ 8,844	\$ 81,774
2019	37,961	17,918	8,275	7,683	71,837
2020	4,453	14,533	8,655	7,281	34,922
2021	4,506	15,481	9,085	6,837	35,909
2022	2,678	5,355	9,540	6,369	23,942
2023-2027	12,525	9,915	39,955	26,001	88,396
2028-2032	15,990	6,454	37,600	14,618	74,662
2033-2037	15,909	2,038	23,705	7,885	49,537
2038-2040	--	--	17,634	1,421	19,055
Total	114,199	89,357	189,539	86,939	480,034
Add: Premium/(Discount)	14,052	--	(2,221)	--	11,831
Add: Interest Accretion on CAB	46,641	--	--	--	46,641
Total	\$ 174,892	\$ 89,357	\$ 187,318	\$ 86,939	\$ 538,506

Changes in Long-Term Liabilities

Long-term liability activities, for the year ended June 30, 2017, were as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within One Year
Governmental Activities:					
Bonds, COPs and Notes Payable:					
Revenue Bonds	\$ 122,870	\$ --	\$ (48,570)	\$ 74,300	\$ 16,755
Certificates of Participation	1,262	--	(451)	811	419
Pension Obligation Bonds	19,140	--	(7,920)	11,220	3,003
Teeter Plan Notes	30,191	31,536	(33,859)	27,868	--
Add: Premium/(Discount) on Bonds Payable	18,275	--	(4,223)	14,052	1,649
Total Bonds, COPs, and Notes Payable, Net	191,738	31,536	(95,023)	128,251	21,826
Interest Accretion on CAB	73,926	6,070	(33,355)	46,641	14,176
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	184,948	164,920	(163,262)	186,606	99,957
Arbitrage Rebate Payable	233	153	(21)	365	--
Capital Lease Obligations Payable *	67,928	--	(12,097)	55,831	12,697
Insurance Claims Payable	219,496	109,400	(126,725)	202,171	54,026
SARI Line Loans	28,022	--	(4,122)	23,900	912
Civic Center Facilities Master Plan Financing	--	175,340	--	175,340	--
Estimated Liability - Litigation and Claims	130,000	7,400	(25,000)	112,400	57,400
Intangible Assets Obligations Payable	71	1,946	(194)	1,823	194
Total Other Long-Term Liabilities	630,698	459,159	(331,421)	758,436	225,186
Total Long-Term Liabilities **					
For Governmental Activities	\$ 896,362	\$ 496,765	\$ (459,799)	\$ 933,328	\$ 261,188

* Includes amount of \$6,900 from an Internal Service Fund. For additional information, refer to Note 12, Leases.

** The total long-term liabilities do not include Net Pension Liability. Refer to Note 17 for additional information on the Net Pension Liability.

10. LONG-TERM OBLIGATIONS (Continued)

Changes in Long-Term Liabilities (Continued)

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within One Year
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 197,069	\$ --	\$ (7,530)	\$ 189,539	\$ 35,090
Less: (Discount) on Bonds Payable	(1,942)	(279)	--	(2,221)	--
Total Bonds Payable, Net	195,127	(279)	(7,530)	187,318	35,090
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	4,793	4,247	(4,379)	4,661	2,362
Landfill Site Closure/Postclosure Liabilities *	160,675	3,229	(5,423)	158,481	2,613
Pollution Remediation Obligation **	12,184	5,178	(678)	16,684	570
Intangible Assets Obligations Payable	261	2	(109)	154	110
Total Other Long-Term Liabilities	177,913	12,656	(10,589)	179,980	5,655
Total Long-Term Liabilities ***					
For Business-Type Activities	\$ 373,040	\$ 12,377	\$ (18,119)	\$ 367,298	\$ 40,745

* Refer to Note 13 for additional information regarding the decrease in Landfill Site Closure/Post Closure Liabilities.

** Refer to Note 16 for additional information regarding the increase in Pollution Remediation Obligation.

*** The total long-term liabilities do not include Net Pension Liability. Refer to Note 17 for additional information on the Net Pension Liability.

Compensated Employee Absences

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2017, is \$186,606. Employees are entitled to be paid annual leave, compensated time, and in some cases vacation and sick time depending on job classification, length of service, and other factors. For the governmental funds, most of the compensated absences liability will ultimately be paid from the General Fund.

OC Flood Control District, Santa Ana Regional Interceptor (SARI) Line Loans

On June 12, 2007, the Board approved a financing agreement between the Orange County Flood Control District (OCFCD) and Orange County Sanitation District (OCSD) for an amount equivalent to 60% (\$60,000) of an estimated total project cost of \$100,000 of the SARI Line. Concurrently, the Board also approved a financing agreement between the OCFCD and the Santa Ana Watershed Project Authority (SAWPA) for an amount equivalent to 10% (\$10,000) of the estimated total project cost of the SARI Line. The loan proceeds were used for the relocation of the SARI Line between Prado Dam and Weir Canyon Road for the following public benefits: protection of the sewer line from erosion, increased Prado Dam water releases, protection of the water supply, and uninterrupted use of the sewer line by residents. Subsequently, the agreements were amended to reflect the actual total project cost based on the awarded construction contracts. The SARI Line Project cost is not expected to exceed \$85,560 plus 15% contingencies in the amount of \$12,834 for a total of \$98,394. The OCFCD would contribute the remaining 30% (\$29,518) that would be expended to complete the SARI Line Project. As part of the terms of the agreement, the OCFCD agrees to pay SAWPA and OCSD as State subvention funding for the SARI Line Project is received by OCFCD. Repayment installments will be made within 30 days of OCFCD's receipt of State subvention funding in an amount equivalent to 10% of the funds received being paid to SAWPA and 60% of the funds received being paid to OCSD. The OCFCD is required to repay the entire loan to OCSD and SAWPA no later than July 1, 2022, regardless of whether OCFCD receives any State subvention funds for the SARI Line Project. For funds loaned by OCSD, interest shall accrue on the unpaid balance from July 1, 2018, at an annual interest rate of 2% until the unpaid balance is repaid. As for funds loaned by SAWPA, interest shall accrue on any such unpaid balance from July 1, 2018, at the State of California Local Agency Investment Fund interest rate in effect on July 1, 2018. To date, OCFCD received a \$51,336 (60%) loan from OCSD and \$8,556 (10%) from SAWPA based on the total project cost excluding contingencies. In May 2011, the Board awarded the construction contract for the SARI Yorba Linda Spur in the amount of \$7,210, and the Board awarded the construction contract for the SARI Mainline in the amount of \$42,000 in August 2011. In February 2013, construction of the SARI Yorba Linda Spur was completed and the total amount paid to the contractor was \$7,424. Construction of the SARI Mainline was completed on August 17, 2015 and the total amount paid to the contractor was \$38,511. As of June 30, 2017, the total outstanding loan principal was \$23,900.

10. LONG-TERM OBLIGATIONS (Continued)

Civic Center Facilities Master Plan Financing

The Facilities Strategic Plan involves the +/- 11 acre County "superblock" (bounded by Ross Street, Civic Center Drive, Broadway and Santa Ana Boulevard), as well as County satellite buildings within the vicinity of the Civic Center. The Facilities Strategic Plan, which contains four phases, was approved by the Board on April 25, 2017. Phase One activity spans from 2016 to 2021 and includes replacement of the existing Building 16 with new facilities, construction of a County conference and events center, demolition of Building 11 (Hall of Finance), and renovation of the H.G. Osborne Building.

On June 22, 2017, the California Municipal Finance Authority (CMFA) issued its \$152,400 Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program – Phase One) at a premium of \$22,940, with an interest rate range from 4.00% - 5.00%. As the debt was issued by CMFA, this does not constitute debt for the County of Orange. Pursuant to a loan agreement, CMFA loaned the bond proceeds totaling \$175,340 to the Capital Facilities Development Corporation (Corporation), a component unit of the County, to construct Building 16 located at 601 N. Ross Street. A contractor has been selected to construct Building 16 pursuant to a Development Agreement with the Corporation.

The County's payment obligation will commence once the building's Certificate of Substantial Completion is delivered to the trustee. County departments occupying Building 16 will be responsible for making base rental payments. The County's base rental payments under the facility lease are scheduled to begin in FY 2020-21 and will be used to repay the loan to the CMFA. Loan repayments are scheduled to end when the bonds mature in June 2047.

The following is a schedule of the annual debt service requirements to maturity for the Orange County Civic Center Infrastructure Improvement Program – Phase One.

Fiscal Year(s) Ending June 30	Principal	Interest	Total
2018	\$ --	\$ 6,757	\$ 6,757
2019	--	7,176	7,176
2020	--	7,176	7,176
2021	2,805	7,176	9,981
2022	2,945	7,036	9,981
2023-2027	17,085	32,817	49,902
2028-2032	21,805	28,096	49,901
2033-2037	27,825	22,072	49,897
2038-2042	35,510	14,385	49,895
2043-2047	44,425	5,467	49,892
Total	152,400	138,158	290,558
Add: Premium	22,940	--	22,940
Total	\$ 175,340	\$ 138,158	\$ 313,498

Special Assessment District Bonds

Special Assessment District Bonds consist of Assessment District Bonds and Community Facilities District Bonds.

Assessment District Bonds are issued pursuant to provisions of the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code). Proportionate shares of principal and interest installments sufficient in aggregate to meet annual bond debt service requirements are included on the regular County tax bills sent to owners of property against which there are unpaid assessments. Neither the faith and credit nor the taxing power of the County, the State, or any political subdivision thereof is pledged to the payment of the bonds. Assessment District Bonds represent limited obligations of the County payable solely from special assessments paid by property owners within each district. Accordingly, such obligations are not included in the accompanying basic financial statements.

Community Facilities District Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and are payable from a portion of certain special taxes to be levied on property within the

10. LONG-TERM OBLIGATIONS (Continued)

Special Assessment District Bonds (Continued)

boundaries of the Community Facilities District. Except for the special taxes, no other taxes are pledged to the payment of the bonds. The bonds are not general or special obligations of the County nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the special tax fund. Accordingly, such obligations are not included in the accompanying basic financial statements.

The County is acting as an agent of the assessment and community facilities districts in collecting the assessments and special taxes, forwarding the collections to other paying agents or directly to bondholders, and initiating any necessary foreclosure proceedings. Because of the County's limited obligation in connection with special assessment district and community facilities district debt, related transactions are reflected in Agency Departmental Funds. Major capital outlay expenditures relating to these bonds are accounted for in the "Service Areas, Lighting Maintenance and Assessment Districts" Special Revenue Fund. Special assessment district and community facilities district bonds outstanding as of June 30, 2017, amounted to \$483,277.

11. CONDUIT DEBT OBLIGATIONS AND SUCCESSOR AGENCY DEBT

Single and Multi-Family Housing Bonds

From 1980 through 2013, the County issued bonds under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California. The purpose of the bonds is to finance the purchase of single-family homes and the construction of multi-family units to benefit low and moderate income families.

The bonds are secured by the property financed and are payable solely from revenue of the projects and payments received on the underlying mortgage loans.

The bonds do not constitute a liability of the County. Neither the County, the State of California, nor any political subdivisions thereof are obligated in any manner for the repayment of the bonds. In no event shall the bonds be payable out of any funds or properties of the County. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2017, there were 19 series of bonds outstanding with an aggregate principal amount payable of \$170,469.

Orange County Development Agency (OCDA) Successor Agency Bond Debt

On December 29, 2011, the California Supreme Court issued an opinion in California Redevelopment Association (CRA) v. Matosantos, upholding the constitutionality of ABX1 26, eliminating Redevelopment Agencies (RDA) statewide effective February 1, 2012. Under ABX1 26, a successor agency was created for each dissolved RDA, including OCDA, and charged with winding down the dissolved RDA's operations and performing enforceable obligations (as defined in the law). The OCDA Successor Agency assumed the dissolved RDA's enforceable obligations, which include bond debt obligations. The Neighborhood Development and Preservation Project (NDAPP) and Santa Ana Heights Project (SAHP) Refunding Bonds debt service obligations for FY 2016-17 appeared on the OCDA Successor Agency Recognized Obligation Payment Schedule (ROPS) and were approved by the Successor Agency Oversight Board, the State Department of Finance, and were paid to bondholders according to the debt service schedule.

Effective with OCDA's dissolution on February 1, 2012, the assets and liabilities (including bond debt) were transferred to and reported in a private-purpose trust fund of the County. This transfer and reporting structure reflect the custodial role accepted by the successor agency. As of June 30, 2017, the outstanding principal amount, including the premium of the OCDA Successor Agency bonds and remaining interest were \$26,238 and \$3,544, respectively.

The bonds do not constitute a liability of the County. Neither the County, the State of California, nor any political subdivisions thereof are obligated in any manner for the repayment of the bonds. In no event shall the bonds be payable out of any funds or properties of the County. Accordingly, the bonds are reported as liabilities in the private-purpose trust fund.

12. LEASES

Operating Leases

The County is committed under various operating leases, primarily for office buildings, office equipment and other equipment. The following is a schedule of future minimum payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2017:

Fiscal Year Ending June 30	Equipment	Real Property	Total
2018	\$ 2,729	\$ 28,319	\$ 31,048
2019	259	25,134	25,393
2020	88	24,735	24,823
2021	32	24,810	24,842
2022	16	20,964	20,980
2023 - 2027	--	68,097	68,097
2028 - 2032	--	13,403	13,403
Total	\$ 3,124	\$ 205,462	\$ 208,586

Total expenditures for equipment rentals and building and improvements incurred for FY 2016-17 was \$54,309.

Capital Leases

The following is an analysis of property the County has leased under capital leases, which includes \$27,600 of equipment for an Internal Service Fund:

Land	\$ 14,831
Equipment	27,927
Less: Accumulated Depreciation	(6,102)
Structures and Improvements	64,180
Less: Accumulated Depreciation	(35,219)
Total	\$ 65,617

The following are the future minimum lease payments under capital leases and the present value of the net minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30	
2018	\$ 16,139
2019	9,414
2020	9,538
2021	8,601
2022	6,993
2023-2027	20,034
Total Minimum Lease Payments	70,719
Less: Amount Representing Interest	(14,888)
Present Value of Net Minimum Lease Payments	\$ 55,831

13. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS

State laws and regulations require Waste Management to place final covers on its landfill sites when the landfills stop accepting waste and perform certain postclosure maintenance and monitoring functions at the site for a minimum of 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date each respective landfill stops accepting waste, Waste Management will report a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of the Statement of Net Position date.

Waste Management owns or operates the following waste disposal sites:

- Frank R. Bowerman (FRB) (Irvine – Active)
- Olinda Alpha (Brea – Active)
- Prima Deshecha (San Juan Capistrano – Active)
- Santiago Canyon (Orange – Ceased accepting waste in 1996, final closure certification in 2005)
- Coyote Canyon (Newport Beach – Ceased accepting waste in 1990, final closure certification in 1995)

The total landfill closure and postclosure care liability at June 30, 2017 was \$158,481. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have been used to date (31.65% for FRB, 79.97% for Olinda Alpha and 20.69% for Prima Deshecha), less actual costs paid related to both closure and postclosure of the Santiago Canyon and Coyote Canyon landfills. Waste Management will recognize the remaining estimated cost of closure and postclosure care of \$168,040 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016 dollars (using the 2016 inflation factor of 1.013). Waste Management has enough landfill capacity to operate the system for a minimum of 25 years. However, Waste Management intends to operate the landfills well beyond this period as a result of approved and planned expansions.

In compliance with Title 27 – Environmental Protection of California Code of Regulations, Waste Management makes annual cash contributions as required to its escrow funds to provide financial assurance for estimated future landfill closure costs based on the GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", formula which is adjusted annually by the Cal Recycle provided CPI factor. Also in compliance with regulations, Waste Management has executed pledge of revenue agreements to provide financial assurance for estimated future landfill postclosure maintenance costs. The agreements state that Waste Management pledges revenue from future disposal fees deposited to pay for estimated postclosure maintenance or shall obtain alternative coverage within sixty (60) days if Waste Management ceases at any time to retain control of its ability to allocate pledged revenue to pay postclosure maintenance costs. Waste Management has proactively pre-funded this cost based on the State mandated formula that computes landfill capacity as a percentage of the total landfill capacity times the total estimated cost for postclosure maintenance. The estimated costs for future closure and postclosure maintenance are annually adjusted based on State provided inflation factors. The State mandated formula under which contributions to both closure and postclosure funds are calculated would provide for the accumulation of sufficient cash to cover all estimated costs when each landfill site reaches maximum capacity. If additional costs for closure or postclosure maintenance are determined due to changes in technology or higher regulatory requirements, these costs may need to be covered by increasing the amount charged to landfill customers.

As of June 30, 2017, a total of \$91,284 has been set aside for estimated closure and postclosure costs and is included in the accompanying Proprietary Funds Statement of Net Position as Restricted Pooled Cash/Investments – Closure and Postclosure Care Costs.

Regulations governing solid waste management are promulgated by government agencies on the federal, state and local levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities, acceptable and prohibited waste types, and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Refer to Note 16, Pollution Remediation, for additional discussion regarding pollution remediation liabilities.

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Encumbrances

The County has established a procedure for encumbering appropriations for purchase orders, contracts, and other commitments authorizing delivery of merchandise or rendering of services. An encumbrance system reduces the possibility of commitments being made in excess of budgeted appropriations due to the lag time between issuance of purchase orders, contracts, and other obligations, and the actual provision of services or goods and subsequent receipt of invoices and billings from the vendors and contractors. Depending on the source(s) of funding, encumbrances are reported as part of restricted or assigned fund balance on the governmental funds balance sheet. In accordance with GASB Statement No. 54, the County's total significant encumbrances for governmental funds in the aggregate are reported at June 30, 2017, as follows:

General Fund	\$	48,895
Flood Control District		50,016
Other Public Protection		1,018
Other Governmental Funds		87,751
Total Encumbrances for Governmental Funds	\$	<u>187,680</u>

Construction Commitments

At June 30, 2017, the County's total commitments for major contracts entered into for equipment, land and structures and improvements were as follows, listed by fund within governmental or business-type activities:

Project Title	Significant Commitments
Governmental Activities:	
General Fund	
Purchase of an Airbus helicopter	\$ 4,915
Video Management and System Upgrade	1,559
HCA 17th Street Renovations	<u>1,420</u>
	<u>7,894</u>
Flood Control District	
San Juan Creek Channel Phase IV-3700' to 6100' U/S Stonehill Dr	12,002
Fullerton Creek Channel, D/S Western Ave to U/S Beach Blvd	9,923
Santa Ana River Interceptor Line Construction	5,925
Santa Ana River Dredging Project PCH to Upstream Adams Ave	2,811
San Joaquin Channel project	1,531
Santa Ana River Parkway Extension	1,499
Osborne-Elevator Controls Replacement	<u>1,072</u>
	<u>34,763</u>
Other Governmental Funds	
Civic Center Facilities Master Plan	154,618
Edinger Avenue Bridge Replacement Over Bolsa Chica Channel	17,391
La Pata Avenue Gap Closure/Widening, Phase I & II	12,339
Purchase of Law Enforcement and Other Vehicles	7,945
Central Utility Facility Infrastructure Upgrade	6,426
Dana Point Harbor Revitalization	3,483
James A. Musick Facility - Rework Existing Perimeter Fence	2,837
Crawford Canyon Rd Drainage Improvement, Newport Blvd/City of Orange	2,535
Laguna Canyon Road Segment 4, Phase 2 to 4	1,505
Replace Air Handlers at Central Men's Jail, Central Women's Jail and Headquarters	1,503
Juvenile Hall-Gym/Msitation Center	1,295
Crown Valley Parkway and Oso Parkway Slurry Seal project	1,279
Newport Blvd Fiber Optic Installation/17th St Signal Upgrade	<u>1,051</u>
	<u>\$ 214,207</u>

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments (Continued)

Project Title	Significant Commitments
Business-Type Activities:	
Airport	
Terminal Improvements	\$ 42,128
Paularino Gate Improvements project	3,454
Parking Structure C, Phase 2	2,652
Terminal Air Handler Replacement	<u>1,050</u>
	<u>49,284</u>
Waste Management	
Frank R. Bowerman Landfill Soil Buttress and Liner Construction project	19,015
Olinda Front Face Improvement project	13,159
Frank R. Bowerman Crews Quarters and Storage Facility Construction	<u>2,127</u>
	<u>34,301</u>
Total Commitments	<u>\$ 340,449</u>

In addition, the County is involved in the Santa Ana River Mainstem Project (SARMP). The SARMP is a major flood control project implemented and funded by the Federal government and three local sponsors – the Orange County Flood Control District (OCFCD), San Bernardino County Flood Control District, and Riverside County Flood Control and Water Conservation District. A component of the initial project has been re-designated as the Prado Dam Project (Project), which is being implemented and funded by the Federal Government and the OCFCD through a separate Project Cooperation Agreement (PCA). The purpose of the SARMP is to prevent the devastating damage caused by large-scale flooding of the Santa Ana River flood plain. When the SARMP was initiated in 1989, the U.S. Army Corps of Engineers (COE) considered this flood plain to constitute the worst flood threat west of the Mississippi River as to impacts to the population and property. The Project involves a combination of flood channel improvements and constructing new channels in Orange, San Bernardino, and Riverside counties, construction of the Seven Oaks Dam in San Bernardino County, construction of improvements and protection at the Santiago retention basin and along the creek, raising the existing Prado Dam and increasing its flood flow outlet gates and reservoir capacity, along with several environmental mitigation related studies, habitat restoration and protection activities, recreation amenities, and preservation of historical sites and records.

The COE's estimated combined cost of all project components is \$2,416,500. OCFCD's combined cost share is estimated to be \$786,633 for the entire Santa Ana River Project. As of June 30, 2017, the OCFCD has expended about \$623,162 on the entire Santa Ana River Project.

The construction of Seven Oaks Dam and most channel improvements in Riverside, San Bernardino, and Orange counties have been completed. The relocation and protection of State Route (SR) 71 adjacent to Prado Dam (a joint OCFCD and Caltrans project) and construction to raise the Prado Dam embankments and install new outlet gates is complete. Landscaping along the Santa Ana River in Orange County was completed in May 2010. Design for the construction of interior dikes in the Prado Dam reservoir and for improvements and protection of SR-91 in the Santa Ana River canyon are also underway. The COE completed construction of the National Housing Tract Dike and Sewage Treatment Plant in 2008. Landscaping for these dikes began in September 2009 and was completed in June 2011. Several environmental mitigation studies and restoration/preservation projects are underway in all three counties. All property right acquisitions for the Seven Oaks Dam and along the lower Santa Ana River in Orange County up to Weir Canyon Road are completed. The escrow for purchase of the Green River Golf Course was closed on September 29, 2006. This property is required for construction of protection along SR-91 and nearby mobile homes, open space/recreation mitigation, and to accommodate increased flooding when the Prado Dam outlet gates are constructed and operational. The first phase of SR-91 protection (Reach 9 Phase 2B Project) was completed in September 2014. The second phase (Reach 9 Phase 3) started construction in January 2014 and was completed in March 2015. As continuation to the ongoing Reach 9 Project, the COE determined that bank improvements needed to continue

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments (Continued)

east on the south side of the Santa Ana River along SR-91. As such, the Reach 9 Phase 4 Project was developed and the project was awarded on April 13, 2016 at an estimated cost of \$15,300. Completion of the Reach 9, Phase 4 Project is expected to occur in December 2018. The COE is also constructing bank improvements on the north side of the Santa Ana River adjacent to La Palma Avenue from Weir Canyon Road to the railroad (Reach 9 Phase 5A and Phase 5B). Phase 5A was awarded on September 28, 2015 at a cost of \$22,500 and is expected to be completed in August 2018. The construction contract for Phase 5B was awarded in September 2016 with an estimated cost of \$25,500 and is expected to be completed in December 2019. The OCFCD awarded the construction contract on August 9, 2011 for the four miles of Santa Ana River Interceptor Line (SARI) relocation project, which was completed in August 2014. Phase I of the Auxiliary Embankment (an extension of Prado Dam) was completed in September 2012 and the earliest date for construction of Phase II would be March 2018. As an alternative, the COE may elect to make Phase II part of the contract awarded to construct the Prado Dam Spillway, which is planned for some time in the year 2020. A contract for the construction of the Yorba-Slaughter Adobe Dike was awarded in December of 2012 at a cost of \$6,000 and was substantially completed in August 2017. The Women's Prison Dike (to protect the California Institute of Women) was awarded September 2014 for \$12,700 and a \$3,400 modification was awarded in August 2015. This feature was substantially completed April of 2016. The OCFCD continues to acquire property rights for the Prado Dam Project, subject to the availability of funding.

The project has been authorized by the State Legislature for reimbursement of up to 70% of the Local Sponsors' expenses through the State Flood Control Subvention Fund, which is administered by the Department of Water Resources (DWR). As of June 30, 2017, OCFCD has submitted \$413,543 in claims, and received \$384,893 in reimbursements. An additional \$3,723 in claims is in the process of being prepared for submittal to the DWR.

Of the total amount outstanding, \$1,037 was accrued as revenue, and \$23,506 was reported as deferred inflows of resources at the fund level and recognized as revenue in the government-wide financial statements. Once a claim is reviewed and approved by DWR, 90% of the eligible expenditures can be paid, subject to available funding, with the remaining 10% paid after an audit by the State Controller's Office.

15. SELF-INSURANCE

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; unemployment; salary continuance; and providing health benefits to employees, retirees and their dependents. The County has chosen to establish ISFs where assets are set aside for claim settlements and judgments associated with such losses.

The Workers' Compensation ISF addresses the risks related to employee injury through its Safety Program, which is responsible for injury and illness prevention. The Workers' Compensation program ensures that all benefits are properly provided and administers the contract for the third party workers' compensation claims administration. Workers' compensation claims are self-funded up to \$20,000.

The Property and Casualty Risk ISF is responsible for managing losses related to torts; theft of, damage to and destruction of assets, errors and omissions, civil rights claims, and natural disasters. Tort liability is also self-funded, up to \$5,000. Commercial insurance is purchased for property and other risk exposures. Excess liability insurance provides up to an additional \$100,000 in liability coverage. In the past three fiscal years, there were no losses that impacted the County's excess insurance coverage.

Independent actuarial studies are prepared annually for the Workers' Compensation and Property and Casualty Risk ISFs. The reported unpaid claims liabilities are based on the results of those annual actuarial studies and include case reserves, development of known claims, incurred but not reported claims, allocated loss adjustment expenses and unallocated loss adjustment expenses. Unpaid claims liabilities are calculated considering inflation, claims cost trends, including frequency and payout of settlements and judgments, interest earnings, and changes in legal and economic factors. Unpaid claims liabilities have been discounted at a rate of 3.50% in the Workers' Compensation ISF and 2.50% in the Property and Casualty Risk ISF to reflect anticipated future investment earnings.

15. SELF-INSURANCE (Continued)

All County departments and other governmental agencies authorized by the Board to participate in the Workers' Compensation ISF are charged for their pro rata share of costs based upon employee classification rates, claims experience, and funding for the Workers' Compensation program. All County departments participate in the Property and Casualty Risk self-insurance program and are charged for their pro rata share based upon claims experience, actual number of positions from a biweekly County payroll report, and funding for the Property and Casualty Risk program. The rate calculations for Workers' Compensation and Property and Casualty Risk ISFs are based upon guidelines established by the State Controller's Office for cost plan allocations.

The County has established: the Unemployment Insurance ISF, which covers all employees and is paid through the State of California; the County self-insured PPO Health Plans ISF, which provides health plan benefits; and the Health and Other Self-Insured Benefits ISF, which provides dental and short-term disability benefits for a portion of the County's employees and accidental death and dismemberment (AD&D) benefit for Reserve Deputy Sheriffs.

The County's Wellwise Choice, Wellwise Retiree, Sharewell Choice, and Sharewell Retiree PPO plans have no lifetime coverage maximums. The dental insurance coverage is up to \$1,500 (absolute dollars) annually for each covered employee or dependent. The short-term disability insurance coverage is up to 12 months or when the employee returns to work, whichever occurs first. Unemployment benefits covered by law is up to 26 weeks per individual or when the employee returns to work or no longer meets the requirements for the benefit. The self-insured AD&D benefit is for Reserve Deputy Sheriffs only and has a maximum benefit of \$5,000 (absolute dollars).

Changes in the balances of claims liabilities during the past two fiscal years for these self-insurance funds are as follows:

	Workers' Compensation	Property & Casualty Risk	Unemployment Insurance	Health & Other Self-Insured Employee	Total
Unpaid Claims, Beginning of FY 2015-16	\$ 155,574	\$ 39,291	\$ 952	\$ 11,760	\$ 207,577
Claims and Changes in Estimates	42,149	16,521	796	60,528	119,994
Claim Payments	(38,033)	(9,792)	(940)	(59,310)	(108,075)
Unpaid Claims, End of FY 2015-16	159,690	46,020	808	12,978	219,496
Claims and Changes in Estimates	30,398	16,157	1,088	61,757	109,400
Claim Payments	(44,454)	(19,115)	(974)	(62,182)	(126,725)
Unpaid Claims, End of FY 2016-17	\$ 145,634	\$ 43,062	\$ 922	\$ 12,553	\$ 202,171

16. POLLUTION REMEDIATION

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," requires state and local governments to provide the public with better information about the financial impact of environmental cleanup and identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. The County has identified several environmental sites at the Airport and OC Waste and Recycling (Waste Management) for which a pollution remediation liability has been recorded in the County's financial statements. The following describes the nature of the obligating events and the estimated liability as they relate to the Airport and OCWR.

John Wayne Airport (Airport)

In 1988 and 2006, the Airport was named as the responsible party in a cleanup and abatement order for two sites on Airport property by the California Regional Water Quality Control Board (RWQCB). The sites, the Old Fuel Farm and the Former Fire Station #33, were identified as having chemical impacts to the soil and groundwater. In 1994 and 2002, the Airport began monitoring and remediating the Old Fuel Farm and the Former Fire Station #33 sites, respectively.

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16. POLLUTION REMEDIATION (Continued)

John Wayne Airport (Airport) (Continued)

In 2008, the sites were sampled as part of an assessment. The results revealed that the soil and groundwater were still impacted by chemical pollutants. In an effort to increase the removal of the chemicals, the Airport's environmental consultant reevaluated the sites and recommended a change to the remediation plan. The consultant calculated the new estimated pollution remediation liability based on a more active method of remediation that includes remedial technologies such as soil vapor extraction, dual phasing sparging, and bioremediation.

The Airport started implementing the new remediation method in the fiscal year ended June 30, 2011. Following a remedial pilot test, the Airport has been performing monthly free-product removal at the Old Fuel Farm and performing annual groundwater monitoring at both sites. Active remediation has been delayed pending further guidance from the RWQCB, which could possibly affect the estimated pollution remediation liability as well as cause changes to the remedial technologies used to remediate the sites. As of June 30, 2017, the Airport has a liability of \$994 based on management's assessment and the results of the consultant's evaluation of potential remediation costs. The liability will not decrease any further until active remediation begins or a closure plan is accepted by the RWQCB.

In 1995, the Airport entered into Memorandum of Understanding (MOU) with one of its fixed-base operator (FBO) lessees to address the remediation of the Old Fuel Farm. The FBO was identified as the operator of the site and the other responsible party. The lessee agreed to be obligated to pay 50% of the remediation costs associated with the Old Fuel Farm site. Reported in the Proprietary Funds Statement of Net Position as part of accounts receivable, the total expected recovery for the Old Fuel Farm site is \$256 as of June 30, 2017.

The estimated pollution remediation obligation as of June 30, 2017 is:

Old Fuel Farm Site	\$	785
Former Fire Station #33 Site		692
Less: Remediation Activity		(483)
Airport Pollution Remediation Obligation	\$	994

Orange County Waste and Recycling (Waste Management)

Six closed sites were identified and the remediation costs and time periods were calculated for each of these sites based upon the type of remediation needed and historical trend data for closed landfill sites. The combined pollution remediation obligation ending balance as of June 30, 2017, after deducting actual pollution remediation expenses incurred during FY 2016-17, is \$15,690.

Cannery Former Refuse Disposal Station A park owned by the City of Huntington Beach (Huntington Beach), California and an elementary school playground are located on a site that was formerly used as a refuse disposal station operated by the County from 1957 to 1969. Levels of methane gas that exceed regulatory limits were detected on the property. The Local Enforcement Agency (LEA) issued a Notice and Order to Huntington Beach, requiring Huntington Beach to remedy the landfill gas exceedances and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, Huntington Beach and the Huntington Beach City School District (School District) issued the Notices of Intent to Sue under the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation, and Liability Act to the County in 2004. Under an agreement with the County, Huntington Beach and School District claims were tolled until June 2006.

Huntington Beach, the County and School District entered into a Settlement Agreement in 2007 whereby Huntington Beach would be responsible for maintaining the cover of the former disposal site and the County would assume responsibility for the collection and control of landfill gas.

16. POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (Waste Management) (Continued)

Cannery Former Refuse Disposal Station (Continued)

Based on engineering estimates and existing contracts for the operation and maintenance of other disposal sites of a similar size, the age of the site, the length the wastes have been buried and other factors, the County anticipates that the landfill gas collection system will operate fully for 15 years. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$46.

Lane Road Former Refuse Disposal Station The site, located in the City of Irvine, California, and owned by NGP Realty Sub, L.P. and others, was leased and operated by the County as a refuse disposal facility from 1961 until its closure in 1964. An investigation revealed that landfill gas is present above regulatory limits in close proximity to residential housing units. The LEA issued a Notice and Order to the property owners requiring them to remedy the landfill gas exceedances and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, a claim was filed with CEO Risk Management. The County entered into a Settlement Agreement with the property owner in 2005. Per terms of that Settlement Agreement, the County funded the construction of a landfill gas collection and control system, including a carbon treatment element, for the eastern portion of the site. After verification that the system was operating as planned, the County assumed ownership of the system and responsibility for its operation, maintenance and monitoring in 2008. Also in 2008, it was discovered that landfill gas was elevated in the northern portion of the site. Pursuant to the Settlement Agreement, the County designed and constructed an upgrade and enhancement to the existing landfill gas system to control landfill gas migration on the northern portion of the site.

Based on engineering estimates and existing contracts for the operation and maintenance of other similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 25 years, then will most likely either no longer be required or will be converted to a passive system. The cost for the operation, maintenance and monitoring of the system was highest in the first full year of operation when the carbon canisters needed more regular replacement. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is \$285. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$2,207.

San Joaquin Former Refuse Disposal Station The site, owned by the University of California at Irvine, was leased and operated by the County as a refuse disposal facility from 1954 to 1961. In 1996, a portion of the site was sold to the United States Food and Drug Administration. Levels of methane gas that exceed regulatory limits were detected on the property. As both parties expressed an interest in avoiding costly litigation, the County entered into negotiations to cooperatively address site concerns, resulting in a Cooperative Agreement with the University that was approved by the Board in May 2005. Pursuant to the Cooperative Agreement, the County constructed a landfill gas collection and control system, including a carbon treatment element.

The County retains responsibility for the operation, maintenance, and monitoring of that system. Based on engineering estimates and existing contracts for the operation and maintenance of similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 15 years. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is \$109. The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is \$615.

La Veta Former Refuse Disposal Station Located in the City of Orange (Orange), California, La Veta is a former burn, dump and refuse disposal station leased to and operated by the County from 1946 to 1956. The site has multiple owners and was developed into a YMCA facility, apartments, a mobile home park and a small amount of open space. Recently, the County learned that the California Department of Toxic Substances Control (DTSC) and the United States Environmental Protection Agency had previously performed limited soil and groundwater testing at the site. According to DTSC, the results of these tests indicated that further site assessment is warranted.

16. POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (Waste Management) (Continued)

La Veta Former Refuse Disposal Station (Continued)

DTSC requested that the County enter into a Voluntary Cleanup Agreement with DTSC. In lieu of entering into a Voluntary Cleanup Agreement, the County conducted a series of additional site investigations and assessments. Based on the findings of the site investigations, the YMCA is performing required methane monitoring. The County reimburses the YMCA for the costs associated with the monitoring efforts and are accrued as estimable at June 30, 2017.

In addition, the findings of site investigations identified the existence of subsurface refuse extending laterally onto a single-family residence located within the lease boundaries of the former La Veta solid waste disposal site and immediately adjacent to land owned by the YMCA (also covering a portion of the former disposal site). Buried waste was discovered under part of the back yard of the residence, which includes a swimming pool. Since then, CalRecycle and the LEA have required continuous methane monitoring at the property. The current owners have not cooperated with the County or regulator attempts to monitor or remediate potential pollution of the property.

The County has executed an acquisition contract for the single-family residence in the amount of \$860. Upon close of escrow, the County will retain responsibility for any required monitoring for the property. Monitoring may be required for up to 25 years. The cost to perform monitoring is anticipated to be \$5 annually.

Forster Former Refuse Disposal Station The site, located in the City of San Juan Capistrano (San Juan Capistrano), California was formerly leased and operated as a refuse disposal station by the County from 1958 to 1976. The current owner, Advanced Group 99-SJ, is proposing a change in land use for the property and has notified the County of its position that the County is responsible for re-closure of the site to meet current commercial and redevelopment requirements. The County disputes responsibility for site development related costs. In early 2010, San Juan Capistrano approved the proposed project and certified the Environmental Impact Report (EIR). The EIR was a subject of a citizen's referendum that ultimately resulted in affirmation of the proposed project. Subsequent to San Juan Capistrano approval of the proposed development plan, Advanced Group 99-SJ and the County entered into negotiations to resolve issues related to environmental responsibility at the site. These negotiations resulted in a settlement agreement and release of claims, brought about by a threat of litigation over the California Environmental Quality Act approvals. The settlement and release will permit the development of the site, with monies paid by the County for environmental controls to be installed at the site, establishment of an operation and maintenance fund and for environmental insurance, subject to conditions such as obtaining grading permits for the site for its actual development. In exchange, indemnification and environmental releases were provided by the developer to the County. The obligation by the County for environmental infrastructure and controls at the site as agreed upon in the Settlement Agreement is \$7,500. The entire sum is expected to be released within a five-year period, but is dependent upon actions by the owner and regulatory approvals for the project. The County will continue to incur additional costs for work related to the County's current obligation to monitor the groundwater underlying the site. This responsibility will be transferred to the site owner upon completion of one of the settlement agreement milestones, but due to the uncertainty of specific timing, the County is unable to fully estimate the remaining ground water obligations.

The remaining balance for landfill gas remediation at the Forster site is \$7,500. Distribution of these funds will occur over time based on specific milestones in the development of the site.

Yorba Refuse Disposal Station The site, located in Orange, California, was owned and operated as a solid waste disposal site by the County. After disposal operations ceased, the site was sold to Orange for use as a city park. Park deed restrictions were later lifted from the property at the request of Orange, which then began investigation into some form of commercial application or development at the site. In 2010, the Orange Redevelopment Agency filed suit against Orange. The Complaint alleged various causes of action, including

16. POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (Waste Management) (Continued)

Yorba Refuse Disposal Station (Continued)

those for private nuisance, public nuisance, dangerous condition of property and statutory contributions for hazardous substances, and a Porter-Cologne contribution and for Polanco Redevelopment Act cost recovery. The relief sought is for unknown costs and damages. In turn, Orange filed a cross-complaint against the County. The causes of action alleged include indemnity and/or contribution, declaratory relief, hazardous substance account act indemnity and remedies under the Porter-Cologne Act.

Orange and the County entered into negotiations to resolve the issues brought forth by Orange. The negotiations resulted in a settlement agreement and release of claims executed on November 5, 2015. This settlement agreement and release of claims will remedy the differential settlement or subsidence, to replace the irrigation system, and for costs associated with site maintenance with monies paid for by the County. In addition, effective on the date of the agreement, the County assumed responsibility and ownership of the landfill gas control system at the site. In exchange, indemnification has been provided by Orange to the County. Based on engineering estimates and existing contracts for the operation and maintenance of other similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 30 years, then will most likely either no longer be required or will be converted to a passive system. The cost for the operation, maintenance and monitoring of the system was highest in the first full year of operation when the system needed upgrades and relocation of critical equipment. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation will be \$172. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$4,462.

The estimated pollution remediation obligation as of June 30, 2017 is:

Cannery	\$	46
Lane Road		2,207
San Joaquin		615
La Veta		860
Forster		7,500
Yorba		4,462
Waste Management Pollution Remediation Obligation	<u>\$</u>	<u>15,690</u>

17. RETIREMENT PLANS

Orange County Employees Retirement System (OCERS)

Plan Description: Substantially all County employees participate in the OCERS, a cost-sharing multiple-employer public employee retirement system established by the voters of Orange County in 1945 pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31451 et. seq. (the Retirement Law). OCERS is an independent defined-benefit retirement plan in which employees of the County, Orange County Superior Court, and employees of certain cities and special districts within the County participate. OCERS is governed by the Board of Retirement (the OCERS Board). Certain attributes of independence of OCERS are guaranteed under the California Constitution. The OCERS Board consists of nine regular members and one alternate. Four OCERS Board members are appointed by the Board, three members plus one alternate are elected from active County employees, one member is elected from retirees, and the County Treasurer-Tax Collector is elected by registered voters in the County, serves as an Ex-Officio member.

The OCERS Board supervises the investment of OCERS assets and the distribution of benefits to retired employees. The OCERS Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS.

17. **RETIREMENT PLANS (Continued)**

Orange County Employees Retirement System (OCERS) (Continued)

Plan Description (Continued)

The Retirement Law requires an actuarial valuation to be performed at least once every three years. OCERS' practice has been to conduct an actuarial valuation annually as of December 31, which is the end of the OCERS fiscal year.

OCERS operates as a cost-sharing multi-employer defined benefit pension plan for the County of Orange, Orange County Superior Court of California, City of San Juan Capistrano, and twelve special districts: Orange County Cemetery District, Orange County Children and Families Commission, Orange County Department of Education, Orange County Employees Retirement System, Orange County Fire Authority, Orange County In-Home Supportive Services Public Authority, Orange County Local Agency Formation Commission (LAFCO), Orange County Public Law Library, Orange County Sanitation District, Orange County Transportation Authority, Transportation Corridor Agencies and the University of California, Irvine Medical Center and Campus. The Orange County Department of Education and the University of California, Irvine Medical Center and Campus are closed to new member participation. Capistrano Beach, Cypress Recreation & Parks District, Orange County Mosquito and Vector Control and City of Rancho Santa Margarita are no longer active plan sponsors, but retired members and their beneficiaries, as well as deferred members, remain in the System. OCERS is legally and fiscally independent of the County of Orange

Benefits Provided: OCERS provides for retirement, death, disability, and cost-of-living benefits. Under OCERS, each County employee receives a defined-benefit pension at retirement, that is, a specific amount per month determined in accordance with the Retirement Law, which amount is not dependent upon the amount of money credited to the employee's account at the time of retirement. An OCERS member may be eligible for a Disability Retirement allowance. The member will be asked to designate a beneficiary or beneficiaries, who may be entitled to receive lifetime and/or lump sum benefits that may be payable upon a member's death. OCERS also provides two types of disability benefits, a nonservice-connected disability retirement or service-connected disability retirement. Under each type, the eligibility requirements are different. More information can be found on www.ocers.org. The OCERS Board does not set the benefit amounts. OCERS administers benefits that are set by the County Board through the collective bargaining process with County employees in accordance with the Retirement Law.

Effective June 28, 2002, Safety members, including Probation Services employees, became eligible for an annual annuity equal to a retirement benefit formula of 3% of the member's "final compensation" for each year of service rendered at age 50. Law enforcement management, which includes executives in the Sheriff-Coroner and District Attorney departments, and employees represented by the Association of Orange County Deputy Sheriffs hired after April 9, 2010, receive an annual annuity equal to a retirement benefit formula of 3% of the member's "final compensation" for each year of service rendered at age 55.

Effective July 1, 2005, as part of collective bargaining agreements with County employees, most General members who work for the County of Orange (approximately 14,000) became eligible for an enhanced annual annuity equal to a retirement benefit formula of 2.7% of the member's "final compensation" for each year of service rendered at age 55. In collective bargaining agreements with General members, the employee associations agreed to pay the increased retirement costs related to the difference between the prior retirement benefit formulas and the new 2.7% at age 55 enhanced formula, as well as the annual amortization of the unfunded liability created by the retroactive application of the increased benefit. Members of the American Federation of State, County and Municipal Employees (AFSCME) did not elect the 2.7% at age 55 retirement formula and remain at the previous benefit formulas. The benefit formulas for AFSCME are an annual annuity equal to 2% of the "final compensation" for each year of service rendered at age 57 for Tier I General members and 1.667% of the member's "final compensation" for each year of service rendered at age 57.5 for Tier II General members. Due to the passage of the Public Employees' Pension Reform Act (PEPRA) of 2013, most new employees hired on or after January 1, 2013, except for Safety members and members represented by AFSCME and the Orange County Attorneys Association (OCAA), will receive an annual annuity equal to a retirement benefit formula of 1.62% of the member's "final compensation" for each year of service rendered at

17. **RETIREMENT PLANS (Continued)**

Orange County Employees Retirement System (OCERS) (Continued)

Benefits Provided (Continued)

age 65. The 1.62% at age 65 retirement formula includes a voluntary defined contribution component with an employer match.

Non-vested Supplemental Targeted Additional Retiree Cost of Living Adjustment (STAR COLA) benefits are also paid by OCERS to eligible retirees and survivors. Pursuant to Government Code Section 31874.3 of the Retirement Law, the OCERS Board has the sole authority to grant STAR COLA each year. The OCERS Board understands that granting STAR COLA may increase the Unfunded Actuarial Accrued Liability (UAAL) and therefore asks for comments from plan sponsors prior to voting on approval of the annual benefit.

Retirees who have lost more than 20% of their purchasing power since retirement are eligible for this benefit, and currently, approximately 304 retirees (of which 295 are County retirees) who retired before April 1, 1980, and their survivors receive the STAR COLA. The STAR COLA benefits are excluded from the actuarial valuation and are funded annually through current employer contributions. Benefits are considered immaterial to the plan.

Contributions: In accordance with various Board resolutions, the County's funding policy is to make periodic contributions to OCERS in amounts such that, when combined with employee contributions and investment income, will fully provide for member benefits by the time they retire. Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. Base employee contributions are calculated using a formula defined in the Retirement Law. The California Supreme Court's 1997 Ventura decision stated that, for the purpose of calculating pension benefits, "final compensation" means not only base salaries, but also other components. The County employee contributions under current contracts are calculated on base salary, eligible premium pay, and some categories of overtime as defined in the 1997 Ventura decision.

Employer contributions are based on what is needed to properly fund the system. The law, however, does allow employers and employees to negotiate some variation in who pays the contributions. OCERS' responsibility is to make certain the total required contribution is paid, regardless of how the employers and employees share the cost. For FY 2016-17, employer's contributions for funding purpose, as a percentage of covered payrolls, were 34.31% for General members, 62.66% for Safety-Law Enforcement members and 47.16% for Safety-Probation members, as determined by the December 31, 2014, actuarial valuation.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2017, the County reported a liability of \$4,044,638 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability (TPL) used to calculate the net pension liability was determined using actuarial valuation results. At December 31, 2016, the County's proportion was 77.91%, which was an increase of 1.08% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$442,888. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 331,891	\$ --
Differences Between Expected and Actual Experience in the Total Pension Liability	--	441,494
Changes of Assumptions or Other Inputs	71,482	116,689
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	16,592	124
County Contributions Subsequent to the Measurement Date	218,677	--
County Prepaid Pension Contribution	199,902	--
Total	<u>\$ 838,544</u>	<u>\$ 558,307</u>

17. **RETIREMENT PLANS (Continued)**

Orange County Employees Retirement System (OCERS) (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

\$218,677 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

The County reported the full amount of prepaid pension contribution as a part of the prepaid cost at the fund level. However, due to the difference in the County's fiscal year end date and the net pension liability measurement date, half of the prepaid pension contribution of \$199,902 is recognized as deferred outflows of resources related to pension, and the other half will remain as a prepaid cost on the government-wide statement.

Year ending June 30:	
2018	\$ 16,781
2019	16,781
2020	(27,320)
2021	(106,206)
2022	(38,378)
2023	--
Thereafter	--

In September 1994, the County issued \$320,000 of pension obligation bonds, of which \$318,000 in proceeds were paid to OCERS. OCERS maintains the proceeds in a County Investment Account. Amounts in the County Investment Account have been used to fund a portion of the County's contributions over time, pursuant to agreements between OCERS and the County, which allows the County significant discretion in applying the credit. As of June 30, 2017, \$125,876 of such proceeds remains in the County Investment Account available for future credits to the County's pension obligations. For the year ended June 30, 2017, the County did not utilize funds available in the County Investment Account to meet its annual required contribution. The County's total contribution to OCERS for the year ended June 30, 2017 was \$405,494.

On January 13, 2017, the County issued its short-term Taxable Pension Obligation Bonds, 2017 Series A in the amount of \$375,540. Of the \$375,540 bond proceeds, \$375,442 was combined with \$24,363 in contributions from certain County departments to prepay the estimated FY 2017-18 actuarially required contribution related to both the amortization of the UAAL and the normal annual contribution to OCERS. In return, the County received a 4.50% discount or \$17,991 on the required employer contribution amount. The discount, combined with the interest and issuance costs, resulted in a net savings of \$12,015 to the County. Refer to Note 3, Deposits and Investments, and Note 9, Short-term Obligations, for additional information.

Amounts, provided by OCERS' actuarial study reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

Actuarial Assumptions: The actuarial assumptions included a 3.00% inflation rate, 4.25% to 13.5% projected salary increases to general members and 5.00% to 17.50% to safety members, and a 7.25% investment rate of return, net of investment expense. The mortality assumptions used were based on the results of the actuarial experience study for the period of January 1, 2011 through December 31, 2013 using the RP-2000 Combined Healthy Mortality Table projected with the Society of Actuaries Scale BB to 2020.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%, the long-term expected rate of return on pension plan investments. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the actuarially determined contribution rates.

17. **RETIREMENT PLANS (Continued)**

Orange County Employees Retirement System (OCERS) (Continued)

Discount Rate (Continued)

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.25% investment return assumption used in this accounting valuation is net of investment expenses. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The difference is not material to the County's financial statements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage adding expected inflation and deducting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	14.90%	5.92%
Small/Mid Cap U.S. Equity	2.73%	6.49%
Developed International Equity	10.88%	6.90%
Emerging International Equity	6.49%	8.34%
Core Bonds	10.00%	0.73%
Global Bonds	2.00%	0.30%
Emerging Market Debt	3.00%	4.00%
Real Estate	10.00%	4.96%
Diversified Credit (US Credit)	8.00%	4.97%
Diversified Credit (Non-US Credit)	2.00%	6.76%
Hedge Funds	7.00%	4.13%
Global Tactical Asset Allocation	7.00%	4.22%
Real Return	10.00%	5.86%
Private Equity	6.00%	9.60%
Total	100.00%	

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability	\$5,873,896	\$4,044,638	\$2,539,134

17. **RETIREMENT PLANS (Continued)**

Orange County Employees Retirement System (OCERS) (Continued)

Pension Plan Fiduciary Net Position: OCERS issues an audited stand-alone annual financial report for each year ending December 31. Detailed information about the pension plan's fiduciary net position is available and can be obtained online at www.ocers.org, in writing to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701, or by calling (714) 558-6200.

County Administered Plans

Extra-Help Defined Benefit Plan

Plan Description: The plan is a cost-sharing multiple-employer defined benefit retirement plan for employees working less than half-time or as extra-help for the County and six (6) other cost-sharing agencies. Eligible employees of this plan are not covered by OCERS or Social Security. Initially, the normal retirement benefits for a participant who retired on or after the normal retirement date was a monthly amount equal to one-twelfth of 2% of the participant's career earnings during the final 30 years of credited service. There are no automatic cost-of-living adjustment (COLA) increases and no ad hoc COLAs have ever been granted. The current benefit for a participant who terminates or retires after November 20, 2008 is a lump sum payment, which is the greater of the actuarial equivalent of the participant's frozen accrued monthly benefit or the participant's contribution plus interest earnings. The normal retirement date is the first day of the month coinciding with or immediately preceding a participant's 65th birthday.

The plan was adopted to comply with the Omnibus Budget Reconciliation Act of 1990. The Board has full authority to amend or establish plan or benefit provisions at any time in accordance with the plan. The County is the named fiduciary and has the duty and full power to administer the plan. The Chief Financial Officer of the County is the trustee of the plan and has authority over the management and investment of plan assets.

The plan was adopted in January 1992 and was closed to new participants as of February 28, 2002. This plan subsequently froze benefit accruals and stopped collecting employee contributions effective November 21, 2008. As of that date, the normal retirement benefit was changed to a single lump sum distribution equal to the greater of the participant's account balance or the present value of their normal retirement benefit. As of June 30, 2017, the plan consists of 52 active plan participants, 194 terminated plan participants entitled to but not yet receiving benefits, and 38 retirees receiving benefits.

The plan financial statements are prepared using the accrual basis of accounting. County contributions are recognized in the period in which contributions are due, pursuant to the plan documentation and as may be required by statutory requirements. The benefits paid to participants and refunds of prior contributions are recognized when due and payable, in accordance with the terms of the plan.

The County charges a benefits administration fee to County agencies, which funds the cost of administering all of the County benefit programs, including the Extra-Help Defined Benefit Retirement Plan. The Empower Retirement Investment management fee is an annual asset-based fee of 11 basis points (each basis point is one hundredth of a percent).

Contributions: The County has the authority to determine plan contributions. GASB Statement No. 67 requires the County to have an actuarial valuation performed at least biennially to determine the plan's total pension liability. This valuation is currently performed biennially. The plan's total pension liability was calculated using the data and assets as of July 1, 2015, rolled forward to June 30, 2017 using actual benefit payments for FY 2015-16 and FY 2016-17. In both the 2015 valuation and the 2017 roll forward calculations the actuarial assets are valued at market value. The actuary has determined the County's actuarially determined contribution using the projected unit credit method, which is (a) normal cost, plus (b) 5-year rolling amortization of the UAAL. Further information on the County's net pension liability and contributions can be found in the Required Supplementary Information (RSI) section following the notes to the basic financial statements. Based on the plan actuary's advice, the County determines the amount necessary for contribution to the plan. Since the plan's inception, the County and six (6) cost-sharing agencies have contributed \$6,472. For the year ended June 30, 2017, the County and six (6) cost-sharing agencies contributed the total actuarially determined contribution of \$784, which

17. **RETIREMENT PLANS (Continued)**

County Administered Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Contributions (Continued)

is equal to normal cost plus 5-year amortization of the UAAL. The County's proportionate share of the contribution was \$769.

Plan participants do not contribute to the fund effective November 21, 2008 (the date of the freeze). Note that effective November 21, 2008, the normal cost is \$0 due to the plan freeze.

Investment policy: The County has sole authority for establishing and amending the plan's investment policy and allocation of the invested assets. The plan's policy in regard to the allocation of invested assets may be established and amended by the plan's Trustee. The plan may invest in bonds, mortgages, notes, common or preferred stock, mutual funds, or other securities, policies of life insurance, annuity contracts, or property (real, bank deposits, or retain in cash or other property).

Concentrations: Prior to April 7, 2017, the plan invested 80% with Empower Retirement and held 20% of its investments in the OCIP. As of April 7, 2017, the plan invested 100% with Empower Retirement. The plan has stated its assets with Empower Retirement at fair value based on information provided by Empower Retirement.

Discount Rate: For the year ended June 30, 2017, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expense, was 8.51%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the total pension liability was 5.25%, the same as long-term expected rate of return on plan assets.

In accordance with Paragraph 30 of GASB Statement No. 68, the long-term discount rate was determined without reduction for pension plan administrative expense.

The long-term expected rate of return on plan investments was determined using a building-block method equal to the expected future real rate of return on the investment with Empower Retirement and the OCIP plus expected inflation, rounded to the nearest 0.25%. Prior to April 7, 2017, the target investment allocation was 27% equities, 53% fixed incomes, and 20% cash and equivalents. With the transfer of the cash allocation from the OCIP to Empower Retirement, the target investment allocation became 33% equities and 67% fixed incomes as of April 7, 2017. The best estimate of the long-term expected geometric real rate of return for equities and fixed incomes (net of investment expense and inflation) are 4.82% and 1.47%, respectively.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to Pensions: The components of the collective net pension liability of the County and the six (6) cost-sharing agencies at June 30, 2017 were as follows:

Total Pension Liability	\$ 8,562
Plan's Fiduciary Net Position	(6,528)
Plan's Net Pension Liability	<u>\$ 2,034</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	76.24%

17. **RETIREMENT PLANS (Continued)**

County Administered Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to Pensions (Continued)

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and rolled forward to the measurement date of June 30, 2017. The County's proportionate share of the June 30, 2017 net pension liability is \$1,995. The County's proportion of 98.1% is based on an employer contribution allocation and has not changed since June 30, 2016.

For the year ended June 30, 2017, the County recognized pension expense of \$152. At June 30, 2017, the County reported deferred inflows of resources of \$17, which represents the aggregated net difference between projected and actual earnings on plan investments.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ --	\$ 17
Total	<u>\$ --</u>	<u>\$ 17</u>

The deferred outflows and inflows of resources related to this pension plan will be recognized as pension expense for the County as follows:

Year ended June 30:	
2018	\$ 19
2019	19
2020	(11)
2021	(44)

Actuarial Assumptions: The total pension liability based on the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement: (a) 3% inflation, (b) 5.25% investment return, (c) the 417(e) lump sum mortality table used for ERISA-governed plans and the 30-year Treasury rate with a look-back month of November grading into the long-term assumption of 5.0%, and (d) RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020. This plan does not have a salary increase assumption or post-retirement benefit increase assumption as these factors do not impact the benefits of this frozen plan.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the collective plan and the County's proportionate share, calculated using the discount rate of 5.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Collective plan	\$2,274	\$2,034	\$1,841
County's proportionate share	\$2,231	\$1,995	\$1,806

17. **RETIREMENT PLANS (Continued)**

County Administered Plans (Continued)

Extra-Help Defined Contribution Plan

Plan Description: Effective March 1, 2002, as amended and restated on February 10, 2015, the Board established the Extra-Help Defined Contribution Plan to replace the Extra-Help Defined Benefit Retirement Plan for (a) new employees hired on or after March 1, 2002, and supplements the benefits of the Extra-Help Defined Benefit Retirement Plan for employees hired prior to March 1, 2002 and (b) effective February 10, 2015, employees hired on or after such date (i) who attained age 60 by such hire date, (ii) who waive membership in the OCERS, do not have funds on deposit with OCERS and otherwise meet the requirements under OCERS' regulations and state law to waive membership in OCERS, (iii) whose employer has signed the OCERS Employer's Concurrence - Waiver of Membership form or any other documents that may be required by OCERS, and (iv) who sign the OCERS Employees' Waiver of Membership form and provide any other documents required by OCERS to waive membership. Eligible employees of this plan are not covered by OCERS or Social Security. This plan is a tax-deferred retirement plan, established in accordance with IRC Sections 457 and 3121 and is intended to comply with the Omnibus Budget Reconciliation Act of 1990 and meet the requirements to be a Social Security replacement plan. The Board has the authority to amend the plan. As of June 30, 2017, there were 4,233 participants with a balance in the plan, with 3,932 participants actively contributing to the plan as of the end of June payroll.

The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the normal retirement date will be dependent upon the accumulated value of individual contributions and investment return.

If a participant's employment status changes from a part-time or extra-help employee to a permanent full-time employee or a part-time employee working 20 hours or more per week, those participants may elect to transfer the balance to the County's Section 457 Defined Contribution Plan or leave the balance in the plan until they are no longer employed with the County.

Funding Policy: Participants in the plan are required to contribute 7.5% of compensation each pay period. The contributions are invested in the County's Stable Value Fund offered through Empower Retirement, which is designed to protect principal and maximize earnings. Empower Retirement serves on behalf of the County as the third party administrator of the plan and holds all plan assets in trust. In the current fiscal year there was no additional contribution made by the County, and total employee contributions were \$996. As of June 30, 2017, total plan assets were \$7,873.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at \$100. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period and are reflected on participants' quarterly statements. No employer-level fees are charged for the Plan.

County of Orange 401 (a) Defined Contribution Plan

Plan Description: Effective January 1, 1999, as amended and restated on March 24, 2015, the Board established the County 401(a) Plan for the benefit of eligible employees, elected officials, which includes members of the Board, certain executive managers, certain administrative managers once classified as confidential and grandfathered in the plan, attorneys represented by the Orange County Attorney's Association, and certain other employee classifications as defined in the plan document. The Board also has the authority to amend the plan. The plan was closed to the attorneys effective June 24, 2005. The plan was closed to new administrative managers and all grandfathered administrative managers, effective June 23, 2006 and December 28, 2012, respectively. The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2017, the plan had 660 participants with a balance in the plan, and with 640 participants actively contributing to the plan as of the end of June payroll.

17. **RETIREMENT PLANS (Continued)**

County Administered Plans (Continued)

County of Orange 401 (a) Defined Contribution Plan (Continued)

Funding Policy: This plan is a defined contribution plan funded entirely by employer contributions. County contributions to the plan vary according to employee classification and range from 4% to 8% of bi-weekly compensation. Total contributions for the fiscal year as of June 30, 2017, were \$970 by the County and zero by the employees.

Empower Retirement, formerly Great West Retirement Services, serves on behalf of the County as the third party administrator of the plan. Contribution to the plan defaults to the County's Stable Value Fund upon initial enrollment, which is offered through Empower Retirement and designed to protect principal and maximize earnings. Once enrolled, plan participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2017, total plan assets were \$15,503.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at \$100. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period and are reflected on participants' quarterly statements. No employer-level fees are charged for the plan.

County of Orange - 1.62% at 65 Retirement, 401(a) Defined Contribution Plan

Plan Description: On April 20, 2010, the Board approved and adopted the resolution implementing the 1.62% at 65 OCERS retirement formula for certain eligible employees. Effective May 7, 2010, as amended and restated on July 1, 2011, the Board approved the County 1.62% Defined Contribution Plan for the benefit of employees in the "1.62% at 65" OCERS retirement formula. The 1.62% Defined Contribution Plan is a combination governmental 457(b) and 401(a) retirement plan. Employee contributions are deposited into a 457(b) plan and employer-matching contributions are deposited into a 401(a) plan. Participation in the 1.62% Defined Contribution Plan is strictly voluntary and is designed to supplement the "1.62% at 65" OCERS retirement benefit. Only employees in the "1.62% at 65" OCERS retirement benefit formula are eligible to participate in the 1.62% Defined Contribution Plan.

On September 12, 2012, the Governor signed the PEPRA of 2013. PEPRA created a new pension retirement formula, commonly referred to as 2% at 62 retirement formula, for all new non-safety public employees hired on or after January 1, 2013. PEPRA also allowed a public employer to continue to offer another retirement formula, if offered before December 31, 2012, to new public employees if the retirement formula has a lower benefit factor at normal retirement age and results in a lower normal cost than the 2% at 62 PEPRA retirement formula. On December 18, 2012, the Board approved and adopted the "1.62% at 65" OCERS retirement formula for certain general (non-safety) public employees hired on or after January 1, 2013.

The Board has the authority to amend the plan. The plan is intended to comply with the requirements of Internal Revenue Code (IRC) Section 401(a) and is intended for retirement. Matching employer contributions are determined by the County and approved by the Board, as stipulated in the Participants' bargaining units Memorandum of Understanding (MOU) or Personnel and Salary Resolution, as applicable. Employer contributions vest on employees' behalf after five years of continuous service with the County. For the purposes of eligibility and vesting, year of service means a 12-consecutive-month period during which the employee completes at least 2080 hours of service, exclusive of overtime. If the employee leaves employment with the County prior to the vesting period, the employee will only be entitled to the employee contributions to the plan.

Funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the early or normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2017, the plan had 1,446 participants with a balance in the plan, and with 1,355 participants actively contributing to the plan as of the end of June payroll.

17. **RETIREMENT PLANS (Continued)**

County Administered Plans (Continued)

County of Orange - 1.62% at 65 Retirement, 401(a) Defined Contribution Plan (Continued)

Funding Policy: This plan is a defined contribution plan funded entirely by employer contributions. As of June 30, 2017, the County provides up to a 2% match per pay period of the employee's voluntary contribution to the IRC Section 457 element of the 1.62% Defined Contribution Plan. Employer contributions are deposited into the 401(a) Plan. Total contributions for the fiscal year as of June 30, 2017, were \$1,211 by the County and zero by the employees.

Empower Retirement, formerly Great West Retirement Services, serves on behalf of the County as the third party administrator of the plan. Contribution to the plan defaults to the age-appropriate target-date fund upon initial enrollment. Once enrolled, plan participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2017, total plan assets were \$2,771.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at \$100. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period, and are reflected on participants' quarterly statements. No employer-level fees are charged for the plan.

Condensed Financial Statements

In lieu of separately issued financial statements for the County administered retirement funds, condensed financial statements are presented below as of and for the year ended June 30, 2017:

Statement of Fiduciary Net Position

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan	1.62% at 65 Retirement, 401(a) Defined Contribution Plan
Assets					
Pooled Cash/Investments	\$ 1	\$ --	\$ --	\$ --	\$ 1
Restricted Cash and Investments					
Restricted Investments with Trustee	32,600	6,528	7,854	15,480	2,738
Due from Other Governmental Agencies	74	--	19	23	32
Total Assets	<u>32,675</u>	<u>6,528</u>	<u>7,873</u>	<u>15,503</u>	<u>2,771</u>
Net Position					
Restricted for Retirement Plans Benefits	32,675	6,528	7,873	15,503	2,771
Total Net Position	<u>\$ 32,675</u>	<u>\$ 6,528</u>	<u>\$ 7,873</u>	<u>\$ 15,503</u>	<u>\$ 2,771</u>

17. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

Condensed Financial Statements (Continued)

Statement of Changes in Fiduciary Net Position

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan	1.62% at 65 Retirement, 401(a) Defined Contribution Plan
Additions:					
Contributions to Pension Trust:					
Employer	\$ 2,965	\$ 784	\$ --	\$ 970	\$ 1,211
Employee	996	--	996	--	--
Interest and Investment Income	2,403	523	150	1,460	270
Less: Investment Expense	(27)	(5)	(8)	(11)	(3)
Total Additions	6,337	1,302	1,138	2,419	1,478
Deductions:					
Benefits Paid to Participants	2,174	373	624	1,177	--
Total Deductions	2,174	373	624	1,177	--
Change in Net Position for Employees' Retirement	4,163	929	514	1,242	1,478
Net Position at July 1, 2016	28,512	5,599	7,359	14,261	1,293
Net Position at June 30, 2017	\$ 32,675	\$ 6,528	\$ 7,873	\$ 15,503	\$ 2,771

18. POSTEMPLOYMENT HEALTH CARE BENEFITS

County of Orange Retiree Medical Plan

Plan Description: The County of Orange Third Amended Retiree Medical Plan (the Retiree Medical Plan) is a single employer defined benefit OPEB plan, intended to assist career employees in maintaining health insurance coverage following retirement from County service. The Retiree Medical Plan was established by the Board. The Board is also the authority for amending the Retiree Medical Plan. The Retiree Medical Plan is not required by the 1937 County Employees' Retirement Law. Eligible retired County employees receive a monthly grant (the Grant), which helps offset the cost of monthly County-offered health plans and/or Medicare A and/or B premiums. The Retiree Medical Plan specifically states that it does not create any vested right to the benefits.

In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of continuous County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Retiree Medical Plan and be able to receive a monthly benefit payment from OCERS. To qualify as a retiree as defined by the Retiree Medical Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

The monthly Grant amount is determined by a formula that multiplies a base number by the number of years of qualifying County employment up to a maximum of 25 years. The base number for calendar year 2016 was \$21.45 (absolute dollars) per year of County service, and the maximum base monthly Grant was \$536.25 (absolute dollars). The base number for calendar year 2017 is \$22.09 (absolute dollars) per year of County service, and the maximum monthly Grant is \$552.25 (absolute dollars). The amount of the Grant is netted against the monthly health plan premium and/or reimburses Medicare premiums paid by the retiree for retiree and dependent coverage with the retiree obligated to pay the remaining balance. In no case shall the Grant exceed the actual cost to a retiree for the Qualified Health Plan and Medicare premiums.

The Grant is reduced by 50% once the retiree becomes Medicare A and B eligible. Retirees who were age 65 and/or Medicare A and B eligible on the effective date are not subject to the Medicare reduction. For employees retiring after the effective date, the Grant is reduced or increased by 7.5% based on the employee's age at

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Plan Description (Continued)

retirement, such that the Grant is reduced 7.5% for each year under age 60 and increased by 7.5% for each year of age worked after age 60 up to age 70. The effective date varies by labor agreement. Safety employees and disability retirements are exempt from the age adjustment.

The base number for the Grant is adjusted annually based on a formula defined in the Retiree Medical Plan document with a maximum increase/decrease of 3%. Surviving dependents of a deceased employee or retiree eligible for the Grant are entitled to receive 50% of the Grant that the employee/retiree was eligible to receive.

In addition to the Grant, the Retiree Medical Plan provides a frozen lump sum payment to terminated employees not eligible for the Grant. The qualifying hours of service for calculation of the lump sum payment is frozen and the effective date varies by labor agreement. The frozen lump sum payment is equal to 1% of the employee's final average hourly pay (as defined in the Retiree Medical Plan) multiplied by the employee's qualifying hours of service (as defined) since the Retiree Medical Plan's effective date.

Employees represented by the AFSCME who retired before September 30, 2005 are not subject to the Medicare reduction or age adjustment to the Grant. The base number for these retirees is adjusted annually with a maximum increase/decrease of 5%. AFSCME employees who were employed on or after September 30, 2005 are not eligible for the Grant or the lump sum payment. They may participate in the County-offered health plans at their own cost if they meet the minimum plan requirements.

Employees represented by the Association of Orange County Deputy Sheriffs (AOCDS) who were hired on or after October 12, 2007 are not eligible for the Grant or lump sum payment. Service hour accruals for the Grant and lump sum calculations for employees represented by AOCDS who were hired before October 12, 2007 were frozen. A Defined Contribution Plan (Health Reimbursement Arrangement) was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Employees represented by the Association of County Law Enforcement Managers (ACLEM) who were hired on or after June 19, 2009 are not eligible for the Grant or lump sum payment. Service hour accruals for the Grant calculations for law enforcement management employees who were hired before June 19, 2009 were frozen. The qualifying hours of service for calculation of the lump sum payment for law enforcement management employees were frozen as of June 23, 2006. A Defined Contribution Plan (Health Reimbursement Arrangement) was established to replace the Grant for new employees and to supplement the frozen grants for current employees.

Effective January 1, 2008, health insurance premium rates were separately pooled for the active and retired employees, except for employees represented by the AOCDS. Effective July 1, 2008, retiree health insurance premium rates for retired employees enrolled in the AOCDS health plans have been 10% higher than active employees.

Effective July 8, 2016, all active Orange County Attorneys Association (OCAA) employees are no longer eligible for the Retiree Medical Grant or Lump Sum. A Defined Contribution Plan (HRA) was established to replace the Grant or Lump Sum for all active employees.

Funding Policy: The County implemented an employer contribution in an amount equal to the Annual Required Contribution (ARC) for the affected labor groups except AOCDS and ACLEM. In order to more adequately fund benefits under the Retiree Medical Plan, on June 19, 2007, the Board adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal Revenue Code section 115 trust for which the County Chief Financial Officer is the Trustee. In addition, OCERS has established an Internal Revenue Code section 401(h) account to invest monies and acts as Trustee for the 401(h) account which is used to pay

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Funding Policy (Continued)

the Grant. OCERS issues a Comprehensive Annual Financial Report (CAFR) for each year ending on December 31, which includes the Retiree Medical Trust. OCERS' CAFR can be obtained online at www.ocers.org, by written request to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701, or by calling (714) 558-6200.

The County is currently setting aside contributions of 0.4% for AFSCME, 0.4% for OCAA, 3.4% for AOCDS, 7.1% for law enforcement management, 3.9% for the Probation Department safety personnel, and 4.0% of payroll for all other labor groups, which is the ARC for those groups. Additionally, effective July 10, 2015, contributions by employees represented by AOCDS and ACLEM hired before April 4, 2009 were reduced from 2.6% to 1.6% of base, while employees hired on or after April 4, 2009 were reduced from 1% to 0%.

Funds were initially deposited into the Trust in December 2007, with subsequent deposits made throughout each fiscal year. The costs to administer the Trust are paid from the Trust.

Actuarial Methods and Assumptions: The Plan is calendar year based; therefore, the County contracts with an outside actuarial consultant to prepare a biennial actuarial valuation in conformance with GASB Statement No. 45. The County received a June 30, 2015 valuation for FY 2015-16 and 2016-17 for the Retiree Medical Plan (Report). Among the actuarial methods and assumptions used in the Report are:

- The entry age normal actuarial cost method
- Closed period amortization of the June 30, 2008 UAAL over 29 years as a level percentage of payroll (20 years remaining as of June 30, 2017)
- A 7.25% long-term expected rate of return on funds held in the Trusts
- A 3.50% per annum payroll increase assumption
- A 3.00% per annum general inflation rate assumption
- The assumed annual increases in the monthly Grant of 3% for non-AFSCME employees and 5% for AFSCME employees. The healthcare trend was assumed to be greater than or equal to the annual increase to the Grant through 2021 and beyond. Therefore, healthcare trend rates have little impact on the projected benefits and the UAAL due to the 3% (or 5% for AFSCME) cap on Grant annual increases.
- There are an estimated 26,218 participants in the plan of which 17,925 are employees, 25 are deferred retirees, and 8,268 are retirees.

Annual OPEB Cost and Net OPEB Obligation/(Asset): The County's annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of time not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost, the amount actually contributed to the 115 and 401(h) Trusts and changes in the County's Net OPEB Asset (NOA) for the current year:

	FY 2016-17
Total Annual Required Contribution	\$ 45,921
Interest on Net OPEB Asset	(3,465)
Amortization on Net OPEB Asset	3,666
Annual OPEB Cost	46,122
Contributions Made	(47,853)
Increase in Net OPEB Asset	(1,731)
Net OPEB Asset, Beginning of year	(43,107)
Net OPEB Asset, End of year	\$ (44,838)

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation/(Asset) (Continued)

The County's annual OPEB Cost, the percentage of annual OPEB cost contribution to the plan, and the NOA for FY 2016-17 and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset)
6/30/2015	\$ 44,854	92%	\$ (45,056)
6/30/2016	44,439	96%	(43,107)
6/30/2017	46,122	104%	(44,838)

Funded Status and Funding Progress: The funded status of the OPEB Plan as of June 30, 2015 is as follows:

Actuarial Accrued Liability (AAL)	\$ 614,500
Actuarial Value of Plan Assets	217,556
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 396,944</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	35.4%
Covered Payroll	\$ 1,188,727
UAAL as Percentage of Covered Payroll	33.4%

The preceding noted actuarial accrued liability was based on the June 30, 2015 actuarial valuation. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial valuations contained in the report involve estimates of the values of reported amounts and assumptions about the probability of events far into the future and will be subject to continual revision as they reflect a long-term perspective. Assumptions used in the report also include techniques designed to reduce short-term volatility in AAL and the actuarial value of assets. Current estimates of the funded status and trend information about the funding progress are presented in the Required Supplementary Information section following the notes to the basic financial statements.

County of Orange Health Reimbursement Arrangement (HRA)

Plan Description: On October 23, 2007, the Board approved and adopted a MOU agreement with the AOCDS. The MOU restructured the Retiree Medical Plan and established a Defined Contribution Plan (Health Reimbursement Arrangement) to replace the Retiree Medical Plan for new employees, and to supplement the current employees' frozen service hour accruals for the Grant.

On June 24, 2008, the Board approved the County of Orange Health Reimbursement Arrangement (HRA) Plan Document. The HRA Plan is not required by the Retirement Law. The plan is intended to fund the reimbursement accounts of eligible employees on a pre-tax basis and reimburse the eligible unreimbursed and substantiated qualified medical expenses of retired participants.

On March 10, 2009, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan (HRA) for employees represented by ACLEM effective June 19, 2009. The HRA replaces the Retiree Medical Plan for new employees, and supplements the current ACLEM employees' frozen service hour accruals for the Grant.

On May 12, 2015, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan (HRA) for employees represented by OCAA effective July 8, 2016. The HRA will replace the Retiree Medical Plan for all active attorney employees.

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Health Reimbursement Arrangement (HRA) (Continued)

Plan Description (Continued)

Administration of the HRA by the third party administrator began in August 2009. The HRA is intended to comply with the requirements of IRC Sections 105 and 106 and meets the requirements of a health reimbursement arrangement as defined under IRS Notice 2002-45. The contributions made to reimbursement accounts, any investment gains and qualified medical expenses reimbursed under this plan are intended to be eligible for exclusion from the gross income of eligible employees, participants and retired participants (including the spouses and dependents of each) under IRC Section 105(b). The HRA may be amended by the Board or the plan administrator to comply with federal, state, local laws, statutes, regulations, or guidance from regulatory agencies. The Plan Document was amended and restated on January 1, 2011 to reflect changes to the definition of dependent due to healthcare reform.

The Plan Document was amended and restated on June 1, 2016 to provide for the transition of the OCAA to the HRA Plan in July 2016. Prior employee contributions for employees represented by OCAA to the retiree medical program and the interest earnings thereon through, July 5, 2016 were transferred as a lump sum deposit for eligible employees to their HRA accounts.

As of June 30, 2017, the plan had 2,700 active and 632 inactive participants.

Funding Policy: Employer and mandatory employee contributions were effective October 12, 2007 for employees represented by AOCDS, effective June 19, 2009 for employees represented by ACLEM, and effective July 8, 2016 for OCAA represented employees. All contributions made to the HRA are deemed to be employer contributions. Employee contributions for employees represented by each of the bargaining units are mandatory pursuant to their bargaining unit MOU and mandatory pursuant to Board action.

On March 15, 2016, the Board approved for employees represented by AOCDS, an increase in the County's contribution from 3.0% to 5.0% of base salary each pay period. Furthermore, required contributions by employees represented by AOCDS were decreased from 2.0% to 0% of base salary for each pay period. Employee contributions for employees represented by ACLEM and OCAA are mandatory pursuant to the MOU. For employees represented by ACLEM, the County contributes 1.0% of base salary each pay period and employees are also required to contribute 1.0% of base salary each pay period. For employees represented by OCAA, the County contributes 1.0% of base salary each pay period and employees are also required to contribute 1.0% of base salary each pay period.

ICMA Retirement Corporation serves on behalf of the County as the third party administrator of the HRA. Contributions to the HRA Plan default to the age-appropriate target-date fund upon initial enrollment. Once enrolled, HRA participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the HRA. As of June 30, 2017, the value of HRA assets was \$99,081.

Administrative Cost: Annual administrative fees include a plan asset fee of 0.40% and annual account fee of \$80. Each quarter, 25% of the fees are assessed to participant accounts and are reflected on participants' quarterly statements. No employer-level fees are charged for the Plan.

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Condensed Financial Statements

In lieu of separately issued financial statements for the County administered postemployment health care benefit trust funds, condensed financial statements are presented below as of and for the year ended June 30, 2017:

	Total	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
Statement of Fiduciary Net Position			
Assets			
Pooled Cash/Investments	\$ 296	\$ 250	\$ 46
Restricted Cash and Investments			
Restricted Investments with Trustee	98,779	--	98,779
Restricted Cash with OCERS	268,394	268,394	--
Interest Receivable	14	14	--
Due from Other Governmental Agencies	1,403	1,147	256
Total Assets	<u>368,886</u>	<u>269,805</u>	<u>99,081</u>
Liabilities			
Due to Other Governmental Agencies	2	2	--
Total Liabilities	<u>2</u>	<u>2</u>	<u>--</u>
Net Position			
Restricted for OPEB Benefits	368,884	269,803	99,081
Total Net Position	<u>\$ 368,884</u>	<u>\$ 269,803</u>	<u>\$ 99,081</u>
Statement of Changes in Fiduciary Net Position			
	Total	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
Additions:			
Employer Contributions	\$ 61,041	\$ 47,853	\$ 13,188
Employee Contributions	2,691	2,691	--
Interest and Investment Income	37,745	27,817	9,928
Less: Investment Expense	(576)	(7)	(569)
Total Additions	<u>100,901</u>	<u>78,354</u>	<u>22,547</u>
Deductions:			
Benefits Paid to Participants	35,548	33,796	1,752
Administrative Expense	47	47	--
Total Deductions	<u>35,595</u>	<u>33,843</u>	<u>1,752</u>
Change in Net Position	65,306	44,511	20,795
Net Position at July 1, 2016	303,578	225,292	78,286
Net Position at June 30, 2017	<u>\$ 368,884</u>	<u>\$ 269,803</u>	<u>\$ 99,081</u>

19. CONTINGENCIES

Estimated Liability for Litigation and Claims

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, a liability has been accrued in the accompanying financial statements. Litigation where loss to the County is reasonably possible has not been accrued and at this time an estimate cannot be made. For information regarding claim payments and unpaid claims balance for self-insurance claims, refer to Note 15, Self-Insurance.

19. CONTINGENCIES (Continued)

Sales and Use Taxes

Department of Finance has not yet finalized its review of the misallocation of sales and use tax revenues identified by the State Controller and the Board of Equalization (BOE) proposed adjustment plan. The In-Home Supportive Services (IHSS) final agreement which includes trailer bills SB 90/AB 106 provides that counties will be held harmless for any amounts they may owe to the state as a result of the BOE sales tax miscalculation.

20. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2017:

Airport Revenue Bonds, Series 2009B: On July 1, 2017, the Airport partially redeemed the 2009B Bonds scheduled to mature in 2034 in the amount of \$27,210. The early partial redemption will result in total future interest cost savings of \$13,556. Refer to Note 10, Long-Term Obligations, for additional information.

Retirement of Bankruptcy Bonds: On July 1, 2017, the Lease Revenue Refunding Bonds, Series 2005, were retired. For additional information regarding the Lease Revenue Refunding Bonds, Series 2005, refer to Note 10, Long-Term Obligations.

U.S. Treasuries - SLGS: To comply with applicable federal law and the tax certificates associated with the OCPFA Lease Revenue Refunding Bonds Series 2005, the County invests excess available monies over the reasonable working capital reserve in tax-exempt government securities not subject to the Alternative Minimum Tax (AMT). At June 30, 2017, the County reported \$67,557 of non-AMT tax-exempt securities in US Treasuries - SLGS. The Lease Revenue Refunding Bonds Series 2005 were retired on July 1, 2017, and on July 12, 2017, the County converted its tax exempt Teeter Plan Series B Notes to taxable notes. With the conversion to taxable notes, the non-AMT tax-exempt investment of \$67,557 is no longer required, and was liquidated in its entirety on August 10, 2017. The County received \$67,638, including accrued interest, as a result of the liquidation.

Teeter Plan Notes: On July 12, 2017, the County converted its tax exempt Teeter Plan Obligation Notes, Series B to taxable notes to retire the June 30, 2017 outstanding Teeter balance of \$27,868 and finance the purchase of \$30,621 for the delinquent property tax receivables associated with the Teeter Plan. Proceeds of this issuance, associated with the purchase of delinquent property tax receivables, paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. The outstanding balance as of July 12, 2017 was \$58,489. For additional information regarding the Teeter Plan Notes, refer to Note 10, Long-Term Obligations.

Labor Organizations: On September 27, 2017, the Association of Orange County Deputy Sheriffs (AOCDS) filed a petition for the decertification of the Orange County Employees Association (OCEA) and the certification of AOCDS as the exclusively recognized employee organization representing the Probation Services (PS) Unit and the Probation Supervisory Management (PM) Unit.

The following classifications are included in the PS and PM Units:

Probation Services (PS) Unit Classifications	Probation Management (PM) Unit Classifications
Deputy Juvenile Correctional Officer I	Supervising Juvenile Correctional Officer
Deputy Juvenile Correctional Officer II	Supervising Probation Officer
Senior Juvenile Correctional Officer	
Deputy Probation Officer I	
Deputy Probation Officer II	
Senior Deputy Probation Officer	

20. SUBSEQUENT EVENTS (Continued)

Labor Organizations (Continued)

This modification in representation by AOCDS for the PS and PM Units was effective October 27, 2017. In addition to this petition, AOCDS requested a unit modification to move three bargaining units represented by OCEA into the PS and PM Units.

AOCDS requested the following classifications moved into the PS Unit:

Classification	Previous OCEA Unit
Deputy Coroner	Sheriffs Special Officer and Deputy Coroner (SO)
Senior Deputy Coroner	Sheriffs Special Officer and Deputy Coroner (SO)
Park Ranger I	Supervisory Management (SM)
Park Ranger II	Supervisory Management (SM)
Senior Park Ranger	Supervisory Management (SM)
Public Assistance Investigator Trainee	General (GE)
Public Assistance Investigator	General (GE)

AOCDS requested the following classifications moved into the PM Unit:

Classification	Previous OCEA Unit
Supervising Deputy Coroner	Supervisory Management (SM)
Supervising Park Ranger I	Supervisory Management (SM)
Supervising Public Assistance Investigator	Supervisory Management (SM)

These unit modifications were effective November 24, 2017.

OCERS Economic and Demographic Assumptions: On October 16, 2017, the OCERS Board adopted the following significant changes to the economic and demographic actuarial assumptions, which will be used to establish retirement contribution rates effective July 1, 2019:

- Reduced the assumed investment rate of return from 7.25% to 7.00%
- Reduced the assumed rate of price inflation from 3.00% to 2.75%
- Adopted the use of generational tables, which have identified reduced rates of mortality for members

Additionally, the OCERS Board adopted a three-year phase-in of the impact to the contribution rates associated with the Unfunded Actuarially Accrued Liability. The cumulative effect of these changes will have the impact of increasing contribution rates for members and plan sponsors.

Investment Policy Statement: On November 14, 2017, the Board of Supervisors adopted Resolution 17-134 approving the 2018 Investment Policy Statement (IPS) and delegating investment and deposit for safekeeping authority to the Treasurer-Tax Collector for calendar year 2018. The main changes to the 2018 IPS are: 1) clarification of the ratings required for investment purchases, 2) putting all credit rating requirements in one section, 3) clarification that investments over five years by other governing boards do not need to be approved separately by the Board, (4) updating language to match Government Code Section 56301 and (5) an increase to the State Pool limit based on the State Treasurer's policy increase from \$50 million to \$65 million.





**Required Supplementary Information
 (Dollar Amounts in Thousands)**

Orange County Employees Retirement System (OCERS)

Schedule of County's Proportionate Share of the Net Pension Liability ⁽¹⁾

	2017	2016	2015	2014
County's proportion of the net pension liability	77.91%	76.83%	76.68%	74.20%
County's proportionate share of the net pension liability	\$ 4,044,638	\$ 4,391,967	\$ 3,897,223	\$ 3,925,919
Covered payroll ⁽²⁾	\$ 1,200,243	\$ 1,118,395	\$ 1,198,458	\$ 1,176,008
County's proportionate share of the net pension liability as a percentage of its covered payroll ⁽²⁾	336.98%	392.70%	325.19%	333.83%
Plan fiduciary net position as a percentage of the total pension liability	69.56%	65.66%	68.16%	66.88%

Schedule of County Contributions ⁽¹⁾

	2017	2016	2015
Actuarially determined contribution	\$ 386,138	\$ 358,103	\$ 340,626
Contributions in relation to the actuarially determined contribution	386,138	358,103	340,626
Contribution deficiency (excess)	\$ --	\$ --	\$ --
Covered payroll ⁽²⁾	\$ 1,200,243	\$ 1,118,395	\$ 1,198,458
Contributions as a percentage of covered - payroll	32.17%	32.02%	28.42%

(1) Information is from OCERS' actuary report for OCERS' fiscal year ended December 31, 2016.
 (2) The numbers for 2014 and 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

The schedules are presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

Orange County Extra-Help Defined Benefit Plan

Schedule of Changes in the Collective Plan Net Pension Liability and Related Ratios

	2017	2016	2015	2014
Total Pension Liability				
Interest	\$ 436	\$ 435	\$ 271	\$ 282
Difference between expected and actual experience	--	73	--	--
Changes of assumptions	--	73	--	--
Benefit payments, including refunds of member contributions	(372)	(424)	(522)	(695)
Net change in Total Pension Liability	64	157	(251)	(413)
Total Pension Liability-beginning	8,498	8,341	8,592	9,005
Total Pension Liability-ending (a)	\$ 8,562	\$ 8,498	\$ 8,341	\$ 8,592
Plan Fiduciary Net Position				
Contributions-employer	\$ 784	\$ 784	\$ 421	\$ 421
Net investment income	527	123	17	15
Investment Expense	(5)	(4)	--	--
Benefit payments, including refunds of member contributions	(372)	(428)	(522)	(695)
Administrative expense ⁽¹⁾	--	--	--	--
Other	(5)	7	--	--
Net change in Plan Fiduciary Net Position	929	482	(84)	(259)
Plan Fiduciary Net Position- beginning	5,599	5,117	5,201	5,460
Plan Fiduciary Net Position-ending (b)	\$ 6,528	\$ 5,599	\$ 5,117	\$ 5,201
Plan Net Pension Liability-ending (a) - (b)	\$ 2,034	\$ 2,899	\$ 3,224	\$ 3,391
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	76.24%	65.89%	61.35%	60.53%
Covered payroll ⁽²⁾	\$ 4,725	\$ 1,747	\$ 1,829	\$ 1,876
Plan Net Pension Liability as a percentage of covered payroll ⁽²⁾	43.05%	165.94%	176.27%	180.76%

Schedule of Investment Returns

	2017	2016	2015	2014
Actual money-weighted rate of return, net of investment expense	8.51%	2.22%	0.35%	0.26%

(1) Administrative expense does not round up to \$1 in thousands.
 (2) The numbers for 2014 and 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

Orange County Extra-Help Defined Benefit Plan (Continued)

Schedule of County's Proportionate Share of the Net Pension Liability

	2017	2016	2015
County's proportion of the net pension liability	98.12%	98.12%	98.12%
County's proportionate share of the net pension liability	\$ 1,995	\$ 2,845	\$ 3,163
Covered payroll (1)	\$ 4,725	\$ 1,747	\$ 1,829
County's proportionate share of the net pension liability as a percentage of its covered payroll (1)	42.22%	162.85%	172.94%
Plan fiduciary net position as a percentage of the total pension liability	76.24%	65.89%	61.35%

Schedule of Collective Plan Contributions

	2017	2016	2015	2014
Actuarially determined contribution	\$ 784	\$ 784	\$ 421	\$ 421
Contributions in relation to the actuarially determined contribution	784	784	421	421
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
Covered payroll (1)	\$ 4,725	\$ 1,747	\$ 1,829	\$ 1,876
Contributions as a percentage of covered payroll	16.59%	44.88%	23.02%	22.44%

Schedule of County Contributions

	2017	2016	2015	2014
Actuarially determined contribution	\$ 769	\$ 769	\$ 413	\$ 421
Contributions in relation to the actuarially determined contribution	769	769	413	421
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
Covered payroll (1)	\$ 4,725	\$ 1,747	\$ 1,829	\$ 1,876
Contributions as a percentage of covered payroll	16.28%	44.02%	22.58%	22.44%

(1) The numbers for 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation

The schedules are presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

Orange County Extra-Help Defined Benefit Plan (Continued)

Notes to Schedule

Valuation date July 1, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, open
Remaining amortization period	5 years
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	n/a
Investment rate of return	5.25%, net of investment expenses
Retirement age	100% retirement at age 65
Participation assumption	100%
Mortality	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020
Actuarial Equivalence for Lump Sums – Mortality	417(e) lump sum table
Actuarial Equivalence for Lump Sums – Interest Rate	30-year Treasury rate with look-back month of November, current rates grading into 5% long-term assumption

Orange County Retiree Medical Plan

County of Orange Retiree Medical Plan (2)
Schedule of Funding Progress
 For Years Ended June 30

Actuarial Valuation as of June 30 (1)	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a=c)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)
2011	\$ 116,804	\$ 528,639	\$ 411,835	22.1%	\$ 1,273,636	32.3%
2013	155,702	573,763	418,061	27.1%	1,217,052	34.4%
2015	217,556	614,500	396,944	35.4%	1,188,727	33.4%

(1) The County's outside actuarial consultant prepares a biennial actuarial valuation in conformance with GASB Statement Nos. 43 and 45.
 (2) The Plan is calendar year based.





NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of specific revenue sources (other than the permanent fund or for major capital projects) that have either legal or operational requirements to restrict expenditures for specified purposes.

Parking Facilities

This fund is used to account for revenues and expenditures related to parking facilities. This includes costs to lease parking spaces for County staff, costs and revenue from the Manchester and Hall of Administration lots, interest revenue, and the County's operating and maintenance costs.

Service Areas, Lighting, Maintenance and Assessment Districts

This group of funds is used to account for the construction of public facilities from the proceeds of various Mello-Roos districts (also known as Community Facilities Districts) bond issues, special assessment district bond issues, and interfund transfers from County Service Area operating funds. Upon completion of construction, the public facilities are transferred to the Special Assessment and Community Facilities Districts. It is also used to account for local park and recreation facilities, highway lighting, and street sweeping services within unincorporated areas of the County. Revenues consist primarily of property taxes and State grants.

Other Environmental Management

This group of funds is used to account for Local Redevelopment Authority (LRA) activities, fees from violations of fish and game laws, usage of various State tidelands held in trust by the County, registration of off-highway vehicles, and motor vehicle fees levied by the South Coast Air Quality Management District.

Tobacco Settlement

This fund accounts for tobacco settlement monies allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 States (including California), the District of Columbia and four U.S. Territories. On November 7, 2000, Orange County voters passed Measure H. This measure requires the County to utilize its share of the national tobacco litigation settlement revenues in the following percentages:

- 80% for specified health care services
- 20% for public safety

Community and Welfare Services

This group of funds is used to account for the Orange County Workforce Investment Act, Welfare-to-Work, Shelter Care Facilities, In Home Supportive Services, Housing and Community Development, Substance Abuse Treatment, and Other Community and Welfare Social Programs. Revenues consist primarily of Federal grants passed through the State, as well as State grants.

OC Parks

This fund accounts for the development and maintenance of County tidelands and related aquatic recreational facilities, as well as the acquisition, operation and maintenance of County beaches, inland, regional park facilities and community park sites in the unincorporated areas. Revenues consist primarily of property taxes, State aid, lease and concession revenues, and park and recreation fees.

OC Dana Point Harbor

This fund accounts for monies received primarily through rent and concession revenues which are dedicated to providing public coastal access, environmental stewardship, and a diverse regional recreational facility so all users and visitors may experience the unique Dana Point Harbor resource in a safe and enjoyable way.

Housing Asset

The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with Health and Safety Code 34172. The Orange County Housing Authority assumed the housing functions

previously performed by OCDA. The Housing Asset Fund was established and the housing assets from the OCDA Low and Moderate Income Housing Fund were transferred into the Fund.

Schedule I County-Administered Accounts

These funds are used to account for the portion of the 1996 Recovery Certificates of Participation which were used to reimburse certain County-administered accounts for their allocated share of the Orange County Investment Pool loss, in accordance with the County's Modified Second Amended Plan of Adjustment (Plan of Adjustment), Exhibit 8 - "Schedule I - County-Administered Accounts." In addition, on February 2, 2000, the Bankruptcy Court ordered a segregation of litigation proceeds to ensure indemnification of the representative, Tom Hayes, and others pursuant to the plan, to pay future expenses, fees, and charges incurred by the representative, and to pay litigation costs. The residual balances in these funds were distributed in FY 2016-17.

OC Public Libraries

This fund accounts for library services for the unincorporated areas as well as some of the incorporated areas within the County. Property taxes provide most of the fund's revenue and licenses, permits, Federal and State aid, and charges for services provide the remaining revenue.

Plan of Adjustment Available Cash

This group of funds is used to account for monies set aside, pursuant to the Plan of Adjustment, for specified parties to the 1994 bankruptcy and for County-Administered Accounts. These monies are then distributed from these funds in accordance with the provisions in the Plan of Adjustment.

Health Care Programs

This group of funds is used to account for Board-approved Realignment Reserves for Health Care, Medi-Cal Mental Health Managed Care programs, Medi-Cal Administrative Activities and Targeted Case Management, Bioterrorism Preparedness grant funds, Emergency Medical Services allocations, and other purpose-restricted revenues related to health care programs. Revenues consist primarily of State grants and allocations, and Federal grants passed through the State.

Roads

This fund accounts for proceeds restricted for the maintenance and construction of roadways, and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of State highway users' taxes, Federal funds, and charges for engineering services provided.

Orange County Housing Authority

This fund is used to account for revenues received from the Federal Government for Section 8 Rental Assistance Program expenditures. This program assists low-income families to obtain decent, safe and sanitary housing through a system of rental subsidies.

Other Governmental Resources

This group of funds is used to account for fees charged for property characteristics information that are purpose-restricted for technological and capital acquisitions and/or improvements.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

DEBT SERVICE FUNDS

These funds are used to account for the accumulation and disbursement of taxes and other revenues for the periodic payment of principal and interest on general long-term debt that includes general obligation, revenue, and demand bond issues.

Teeter Plan Notes

This fund accounts for the financing of the County's purchase of delinquent taxes receivable pursuant to the Teeter Plan. The Teeter Plan is an alternate secured property tax distribution plan, whereby, the County distributes 100% of the local secured levy to the taxing agencies participating in the Teeter Plan and in exchange receives the right to keep the delinquent taxes, penalties and interest.

Orange County Public Facilities Corporation Bonds, Master Lease

This non-budgeted fund is used to account for Orange County Public Facilities Corporation Revenue Bonds (governmental fund type components only) and for Master Lease Obligations.

Pension Obligation Bonds

This fund is used to account for the debt service expenditures for the Orange County Taxable Pension Obligation Bonds.

Capital Facilities Development Corporation

This non-budgeted fund was established to account for the Civic Center Facilities Master Plan project and will facilitate financings, acquisitions of property, and other property related transactions for the benefit of Orange County, California.

South Orange County Public Financing Authority

This non-budgeted fund was established to account for the debt service expenditures for the South Orange County Public Financing Authority (SOCPFA). Included is the Lease Revenue Refunding Bonds, Series 2012, which were issued to redeem the outstanding OCPFA 2012 JJC bonds and pay costs relating to the issuance. On June 2, 2016, SOCPFA issued the Central Utility Facility Lease Revenue Bonds, Series 2016 to finance the acquisition, construction and installation of certain capital improvements.

Orange County Public Financing Authority

This fund was established to account for the debt service expenditures for the Orange County Public Financing Authority (OCPFA). On August 16, 2005, OCPFA issued Lease Revenue Refunding Bonds Series 2005 to defease certain non-callable Recovery COPs, refund the remaining COPs, fund a debt service reserve fund, and pay the cost of issuance of the Series 2005 Bonds.

CAPITAL PROJECTS FUNDS

These funds are used to account for the acquisition and construction of major capital facilities (other than those financed by the proprietary funds).

Criminal Justice Facilities

This group of funds is used to account for monies received from surcharges and penalty assessments on offenses used for capital improvements to court and other criminal justice facilities.

Countywide Capital Projects Non-General Fund

This fund was established to budget and account for the multi-year approved capital projects funded primarily with Net County Cost or general purpose revenue.

Capital Facilities Development Corporation Construction

This non-budgeted fund was established for the Civic Center Facilities Master Plan project and to account for the related construction.

PERMANENT FUND

A Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Regional Park Endowment

This fund is used to account for costs associated with the repair and maintenance of a mitigation area in Limestone Regional Park.

**COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS**

	Special Revenue			
	Total Nonmajor Governmental Funds	Parking Facilities	Service Areas, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
ASSETS				
Pooled Cash/Investments	\$ 684,314	\$ 5,328	\$ 25,563	\$ 6,504
Restricted Cash and Investments with Trustee	355,754	--	64,831	--
Deposits In-Lieu of Cash	25	--	--	--
Receivables				
Accounts	2,502	45	--	1
Taxes	20,297	--	19	--
Interest/Dividends	1,335	14	63	15
Deposits	2,148	--	--	--
Allowance for Uncollectible Receivables	(96)	--	--	--
Due from Other Funds	37,963	404	--	25
Due from Other Governmental Agencies	31,101	345	--	44
Prepaid Costs	14,733	84	--	--
Notes Receivable, Net	27,572	--	--	255
Total Assets	<u>\$ 1,177,648</u>	<u>\$ 6,220</u>	<u>\$ 90,476</u>	<u>\$ 6,844</u>
LIABILITIES				
Accounts Payable	\$ 26,475	\$ 237	\$ 7,926	\$ --
Retainage Payable	2,785	1	1	--
Salaries and Employee Benefits Payable	1,917	11	--	--
Interest Payable	34	--	--	--
Deposits from Others	19,223	--	--	--
Due to Other Funds	60,321	230	31	30
Due to Component Unit	1	--	--	--
Due to Other Governmental Agencies	11,236	366	4,423	--
Unearned Revenue	21,314	--	--	--
Advances from Other Funds	32,640	--	--	--
Total Liabilities	<u>175,946</u>	<u>845</u>	<u>12,381</u>	<u>30</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Intergovernmental Revenues	11,015	--	--	--
Unavailable Revenue - Property Taxes	1,390	--	8	--
Unavailable Revenue - Long-Term Notes Receivables	255	--	--	255
Unavailable Revenue - Other	273	--	--	--
Total Deferred Inflows of Resources	<u>12,933</u>	<u>--</u>	<u>8</u>	<u>255</u>
FUND BALANCES				
Nonspendable	14,929	84	--	--
Restricted	804,882	4,545	78,087	2,732
Assigned	168,958	746	--	3,827
Total Fund Balances	<u>988,769</u>	<u>5,375</u>	<u>78,087</u>	<u>6,559</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,177,648</u>	<u>\$ 6,220</u>	<u>\$ 90,476</u>	<u>\$ 6,844</u>

	Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	ASSETS
	Pooled Cash/Investments	\$ 19,407	\$ 125,056	\$ 108,521	
Restricted Cash and Investments with Trustee	--	--	--	--	Restricted Cash and Investments with Trustee
Deposits In-Lieu of Cash	--	--	--	25	Deposits In-Lieu of Cash
Receivables					Receivables
Accounts	--	110	1,032	308	Accounts
Taxes	--	--	1,123	--	Taxes
Interest/Dividends	--	260	246	158	Interest/Dividends
Deposits	--	--	7	2,083	Deposits
Allowance for Uncollectible Receivables	--	--	--	--	Allowance for Uncollectible Receivables
Due from Other Funds	--	3,864	58	--	Due from Other Funds
Due from Other Governmental Agencies	--	3,170	297	126	Due from Other Governmental Agencies
Prepaid Costs	--	261	4,521	119	Prepaid Costs
Notes Receivable, Net	--	6,420	--	--	Notes Receivable, Net
Total Assets	<u>\$ 19,407</u>	<u>\$ 139,141</u>	<u>\$ 115,805</u>	<u>\$ 73,501</u>	Total Assets
LIABILITIES					
Accounts Payable	\$ --	\$ 5,533	\$ 3,654	\$ 1,690	Accounts Payable
Retainage Payable	--	887	578	492	Retainage Payable
Salaries and Employee Benefits Payable	--	26	698	16	Salaries and Employee Benefits Payable
Interest Payable	--	--	--	--	Interest Payable
Deposits from Others	--	1	1,507	3,084	Deposits from Others
Due to Other Funds	7,970	26,421	2,399	625	Due to Other Funds
Due to Component Unit	--	--	--	--	Due to Component Unit
Due to Other Governmental Agencies	--	1,098	237	108	Due to Other Governmental Agencies
Unearned Revenue	--	1	2,119	2	Unearned Revenue
Advances from Other Funds	--	21,340	--	--	Advances from Other Funds
Total Liabilities	<u>7,970</u>	<u>55,307</u>	<u>11,192</u>	<u>6,027</u>	Total Liabilities
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Intergovernmental Revenues	--	1,240	--	--	Unavailable Revenue - Intergovernmental Revenues
Unavailable Revenue - Property Taxes	--	--	894	--	Unavailable Revenue - Property Taxes
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--	Unavailable Revenue - Long-Term Notes Receivables
Unavailable Revenue - Other	--	--	--	--	Unavailable Revenue - Other
Total Deferred Inflows of Resources	<u>--</u>	<u>1,240</u>	<u>894</u>	<u>--</u>	Total Deferred Inflows of Resources
FUND BALANCES					
Nonspendable	--	261	4,521	119	Nonspendable
Restricted	11,437	56,318	87,115	67,355	Restricted
Assigned	--	26,015	12,083	--	Assigned
Total Fund Balances	<u>11,437</u>	<u>82,594</u>	<u>103,719</u>	<u>67,474</u>	Total Fund Balances
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,407</u>	<u>\$ 139,141</u>	<u>\$ 115,805</u>	<u>\$ 73,501</u>	Total Liabilities, Deferred Inflows of Resources and Fund Balances

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**COMBINING BALANCE SHEET (Continued)
 NONMAJOR GOVERNMENTAL FUNDS**

	Special Revenue				
	Housing Asset	Schedule I County - Administered Accounts	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs
ASSETS					
Pooled Cash/Investments	\$ 12,781	\$ --	\$ 45,312	\$ 27	\$ 50,148
Restricted Cash and Investments with Trustee	--	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--	--
Receivables	--	--	322	--	--
Accounts	--	--	684	--	--
Taxes	28	--	102	--	42
Interest/Dividends	--	--	--	--	--
Deposits	--	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--	--
Due from Other Funds	--	--	26	17,103	267
Due from Other Governmental Agencies	--	--	30	--	677
Prepaid Costs	--	--	4,514	--	--
Notes Receivable, Net	18,920	--	--	--	--
Total Assets	<u>\$ 31,729</u>	<u>\$ --</u>	<u>\$ 50,990</u>	<u>\$ 17,130</u>	<u>\$ 51,134</u>
LIABILITIES					
Accounts Payable	\$ --	\$ --	\$ 1,041	\$ --	\$ --
Retainage Payable	--	--	40	--	--
Salaries and Employee Benefits Payable	--	--	576	--	--
Interest Payable	--	--	--	--	--
Deposits from Others	--	--	444	--	--
Due to Other Funds	188	--	4,973	--	7,674
Due to Component Unit	--	--	--	--	1
Due to Other Governmental Agencies	--	--	6	--	4,804
Unearned Revenue	--	--	115	--	4,705
Advances from Other Funds	--	--	--	--	--
Total Liabilities	<u>188</u>	<u>--</u>	<u>7,195</u>	<u>--</u>	<u>17,184</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Intergovernmental Revenues	--	--	50	--	--
Unavailable Revenue - Property Taxes	--	--	488	--	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--	--
Unavailable Revenue - Other	--	--	263	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>801</u>	<u>--</u>	<u>--</u>
FUND BALANCES					
Nonspendable	--	--	4,514	--	--
Restricted	31,541	--	38,480	17,130	21,867
Assigned	--	--	--	--	12,083
Total Fund Balances	<u>31,541</u>	<u>--</u>	<u>42,994</u>	<u>17,130</u>	<u>33,950</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 31,729</u>	<u>\$ --</u>	<u>\$ 50,990</u>	<u>\$ 17,130</u>	<u>\$ 51,134</u>

	Special Revenue			Debt Service	
	Roads	Orange County Housing Authority	Other Governmental Resources	Teeter Plan Notes	Orange County Public Facilities Corporation Bonds, Master Lease
ASSETS					
Pooled Cash/Investments	\$ 100,002	\$ 9,733	\$ 1,366	\$ 42,158	\$ --
Restricted Cash and Investments with Trustee	--	6,501	--	34	2,943
Deposits In-Lieu of Cash	--	--	--	--	--
Receivables	163	521	--	--	--
Accounts	--	--	--	18,471	--
Taxes	--	--	2	105	--
Interest/Dividends	--	23	--	--	--
Deposits	--	58	--	--	--
Allowance for Uncollectible Receivables	--	(23)	--	--	--
Due from Other Funds	2,031	8	--	--	--
Due from Other Governmental Agencies	13,881	1,123	--	11,053	--
Prepaid Costs	3,670	1,564	--	--	--
Notes Receivable, Net	--	1,977	--	--	--
Total Assets	<u>\$ 120,010</u>	<u>\$ 21,377</u>	<u>\$ 1,368</u>	<u>\$ 71,821</u>	<u>\$ 2,943</u>
LIABILITIES					
Accounts Payable	\$ 3,163	\$ 898	\$ --	\$ --	\$ --
Retainage payable	430	--	--	--	--
Salaries and Employee Benefits Payable	401	189	--	--	--
Interest Payable	--	--	--	34	--
Deposits from Others	14,177	--	--	--	--
Due to Other Funds	3,120	1,920	--	--	--
Due to Component Unit	--	--	--	--	--
Due to Other Governmental Agencies	193	1	--	--	--
Unearned Revenue	14,372	--	--	--	--
Advances from Other Funds	--	--	--	--	--
Total Liabilities	<u>35,856</u>	<u>3,008</u>	<u>--</u>	<u>34</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Intergovernmental Revenues	9,725	--	--	--	--
Unavailable Revenue - Property Taxes	--	--	--	--	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--	--
Unavailable Revenue - Other	--	--	--	--	--
Total Deferred Inflows of Resources	<u>9,725</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCES					
Nonspendable	3,670	1,564	--	--	--
Restricted	70,759	16,805	1,368	18,471	2,943
Assigned	--	--	--	53,316	--
Total Fund Balances	<u>74,429</u>	<u>18,369</u>	<u>1,368</u>	<u>71,787</u>	<u>2,943</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 120,010</u>	<u>\$ 21,377</u>	<u>\$ 1,368</u>	<u>\$ 71,821</u>	<u>\$ 2,943</u>

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Debt Service			
	Pension Obligation Bonds	Capital Facilities Development Corporation	South OC Public Financing Authority	Orange County Public Financing Authority
ASSETS				
Pooled Cash/Investments	\$ 78	\$ --	\$ --	\$ --
Restricted Cash and Investments with Trustee	61,390	21,538	25,259	21,787
Deposits In-Lieu of Cash	--	--	--	--
Receivables				
Accounts	--	--	--	--
Taxes	--	--	--	--
Interest/Dividends	--	--	--	--
Deposits	--	--	--	--
Allowances for Uncollectible Receivables	--	--	--	--
Due from Other Funds	--	--	--	--
Due from Other Governmental Agencies	--	--	--	--
Prepaid Costs	--	--	--	--
Notes Receivable, Net	--	--	--	--
Total Assets	<u>\$ 61,468</u>	<u>\$ 21,538</u>	<u>\$ 25,259</u>	<u>\$ 21,787</u>
LIABILITIES				
Accounts Payable	\$ --	\$ --	\$ --	\$ --
Retainage payable	--	--	--	--
Salaries and Employee Benefits Payable	--	--	--	--
Interest Payable	--	--	--	--
Deposits from Others	--	--	--	--
Due to Other Funds	8	--	1,972	--
Due to Component Unit	--	--	--	--
Due to Other Governmental Agencies	--	--	--	--
Unearned Revenue	--	--	--	--
Advances from Other Funds	--	--	--	--
Total Liabilities	<u>8</u>	<u>--</u>	<u>1,972</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Intergovernmental Revenues	--	--	--	--
Unavailable Revenue - Property Taxes	--	--	--	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--
Unavailable Revenue - Other	--	--	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCES				
Nonspendable	--	--	--	--
Restricted	61,460	21,538	23,287	7,465
Assigned	--	--	--	14,322
Total Fund Balances	<u>61,460</u>	<u>21,538</u>	<u>23,287</u>	<u>21,787</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 61,468</u>	<u>\$ 21,538</u>	<u>\$ 25,259</u>	<u>\$ 21,787</u>

	Capital Projects			Permanent	ASSETS
	Criminal Justice Facilities	Countywide Capital Projects Non-General Fund	Capital Facilities Development Corporation Construction	Regional Park Endowment	
Pooled Cash/Investments	\$ 19,744	\$ 41,564	\$ --	\$ 340	Pooled Cash/Investments
Restricted Cash and Investments with Trustee	--	--	151,471	--	Restricted Cash and Investments with Trustee
Deposits In-Lieu of Cash	--	--	--	--	Deposits In-Lieu of Cash
Receivables					Receivables
Accounts	--	--	--	--	Accounts
Taxes	--	--	--	--	Taxes
Interest/Dividends	48	--	--	1	Interest/Dividends
Deposits	--	--	--	--	Deposits
Allowance for Uncollectible Receivables	--	--	--	--	Allowance for Uncollectible Receivables
Due from Other Funds	4,600	9,577	--	--	Due from Other Funds
Due from Other Governmental Agencies	355	--	--	--	Due from Other Governmental Agencies
Prepaid Costs	--	--	--	--	Prepaid Costs
Notes Receivable, Net	--	--	--	--	Notes Receivable, Net
Total Assets	<u>\$ 24,747</u>	<u>\$ 51,141</u>	<u>\$ 151,471</u>	<u>\$ 341</u>	Total Assets
LIABILITIES					
Accounts Payable	\$ 429	\$ 1,904	\$ --	\$ --	Accounts Payable
Retainage payable	356	--	--	--	Retainage payable
Salaries and Employee Benefits Payable	--	--	--	--	Salaries and Employee Benefits Payable
Interest Payable	--	--	--	--	Interest Payable
Deposits from Others	--	--	--	--	Deposits from Others
Due to Other Funds	89	2,671	--	--	Due to Other Funds
Due to Component Unit	--	--	--	--	Due to Component Unit
Due to Other Governmental Agencies	--	--	--	--	Due to Other Governmental Agencies
Unearned Revenue	--	--	--	--	Unearned Revenue
Advances from Other Funds	11,300	--	--	--	Advances from Other Funds
Total Liabilities	<u>12,174</u>	<u>4,575</u>	<u>--</u>	<u>--</u>	Total Liabilities
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Intergovernmental Revenues	--	--	--	--	Unavailable Revenue - Intergovernmental Revenues
Unavailable Revenue - Property Taxes	--	--	--	--	Unavailable Revenue - Property Taxes
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--	Unavailable Revenue - Long-Term Notes Receivables
Unavailable Revenue - Other	10	--	--	--	Unavailable Revenue - Other
Total Deferred Inflows of Resources	<u>10</u>	<u>--</u>	<u>--</u>	<u>--</u>	Total Deferred Inflows of Resources
FUND BALANCES					
Nonspendable	--	--	--	196	Nonspendable
Restricted	12,563	--	151,471	145	Restricted
Assigned	--	46,566	--	--	Assigned
Total Fund Balances	<u>12,563</u>	<u>46,566</u>	<u>151,471</u>	<u>341</u>	Total Fund Balances
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 24,747</u>	<u>\$ 51,141</u>	<u>\$ 151,471</u>	<u>\$ 341</u>	Total Liabilities, Deferred Inflows of Resources and Fund Balances

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COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue			
	Total Nonmajor Governmental Funds	Parking Facilities	Service Area, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
Revenues				
Taxes	\$ 133,675	\$ --	\$ 619	\$ --
Licenses, Permits, and Franchises	1,844	--	--	--
Fines, Forfeitures, and Penalties	25,279	--	--	--
Use of Money and Property	53,384	12,269	352	544
Intergovernmental	359,985	1,948	95,203	1,190
Charges for Services	55,641	328	30	550
Other	31,766	27	2	253
Total Revenues	661,574	14,572	96,206	2,537
Expenditures				
Current				
General Government	72,413	--	55,276	93
Public Protection	840	--	--	136
Public Ways and Facilities	66,536	8,635	208	99
Health and Sanitation	1,561	--	--	--
Public Assistance	182,655	--	--	--
Education	42,564	--	--	--
Recreation and Cultural Services	106,356	--	--	--
Capital Outlay	105,450	375	--	385
Debt Service				
Principal Retirement	90,813	--	--	--
Interest	38,517	--	--	--
Total Expenditures	707,705	9,010	55,484	713
Excess (Deficit) of Revenues				
Over Expenditures	(46,131)	5,562	40,722	1,824
Other Financing Sources (Uses)				
Transfers In	324,682	484	--	25
Transfers Out	(306,910)	(3,774)	--	--
Debt Issued	31,536	--	--	--
Loan Proceeds	175,340	--	--	--
Total Other Financing Sources (Uses)	224,648	(3,290)	--	25
Net Change in Fund Balances	178,517	2,272	40,722	1,849
Fund Balances - Beginning of Year	810,252	3,103	37,365	4,710
Fund Balances - End of Year	\$ 988,769	\$ 5,375	\$ 78,087	\$ 6,559

	Special Revenue			
	Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor
Revenues				
Taxes	\$ --	\$ --	\$ 82,265	\$ --
Licenses, Permits, and Franchises	--	822	247	--
Fines, Forfeitures, and Penalties	--	--	50	94
Use of Money and Property	90	894	11,076	26,277
Intergovernmental	--	31,520	948	--
Charges for Services	--	3,509	9,831	957
Other	26,685	1,028	998	90
Total Revenues	26,775	37,773	105,415	27,418
Expenditures				
Current				
General Government	8	--	--	--
Public Protection	--	704	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	20,548	--	--
Education	--	--	--	--
Recreation and Cultural Services	--	--	84,726	21,630
Capital Outlay	--	19,212	9,419	3,620
Debt Service				
Principal Retirement	--	--	--	--
Interest	--	--	--	--
Total Expenditures	8	40,464	94,145	25,250
Excess (Deficit) of Revenues				
Over Expenditures	26,767	(2,691)	11,270	2,168
Other Financing Sources (Uses)				
Transfers In	8	13,139	--	--
Transfers Out	(27,848)	(27,961)	(558)	(18)
Debt Issued	--	--	--	--
Loan Proceeds	--	--	--	--
Total Other Financing Sources (Uses)	(27,840)	(14,822)	(558)	(18)
Net Change in Fund Balances	(1,073)	(17,513)	10,712	2,150
Fund Balances - Beginning of Year	12,510	100,107	93,007	65,324
Fund Balances - End of Year	\$ 11,437	\$ 82,594	\$ 103,719	\$ 67,474

Revenues
Taxes
Licenses, Permits, and Franchises
Fines, Forfeitures, and Penalties
Use of Money and Property
Intergovernmental
Charges for Services
Other
Total Revenues
Expenditures
Current
General Government
Public Protection
Public Ways and Facilities
Health and Sanitation
Public Assistance
Education
Recreation and Cultural Services
Capital Outlay
Debt Service
Principal Retirement
Interest
Total Expenditures
Excess (Deficit) of Revenues
Over Expenditures
Other Financing Sources (Uses)
Transfers In
Transfers Out
Debt Issued
Loan Proceeds
Total Other Financing Sources (Uses)
Net Change in Fund Balances
Fund Balances - Beginning of Year
Fund Balances - End of Year

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES (Continued)
 NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue				
	Housing Asset	Schedule I County - Administered Accounts	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs
Revenues					
Taxes	\$ --	\$ --	\$ 50,791	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	3	--	--
Fines, Forfeitures, and Penalties	--	--	7	--	7,627
Use of Money and Property	228	--	231	15	331
Intergovernmental	--	--	372	--	5,910
Charges for Services	--	--	1,084	--	1,271
Other	78	--	571	--	61
Total Revenues	306	--	53,059	15	15,200
Expenditures					
Current					
General Government	--	15	--	13,592	--
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	--	--	1,561
Public Assistance	695	--	--	--	--
Education	--	--	42,564	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	--	1,690	--	--
Debt Service					
Principal Retirement	--	--	13	--	--
Interest	--	--	--	--	--
Total Expenditures	695	15	44,267	13,592	1,561
Excess (Deficit) of Revenues					
Over Expenditures	(389)	(15)	8,792	(13,577)	13,639
Other Financing Sources (Uses)					
Transfers In	62	--	--	17,103	374
Transfers Out	--	--	--	--	(14,001)
Debt Issued	--	--	--	--	--
Loan Proceeds	--	--	--	--	--
Total Other Financing Sources (Uses)	62	--	--	17,103	(13,627)
Net Change in Fund Balances	(327)	(15)	8,792	3,526	12
Fund Balances - Beginning of Year	31,868	15	34,202	13,604	33,938
Fund Balances - End of Year	\$ 31,541	\$ --	\$ 42,994	\$ 17,130	\$ 33,950

	Special Revenue			Debt Service	
	Roads	Orange County Housing Authority	Other Governmental Resources	Teeter Plan Notes	Orange County Public Facilities Corporation Bonds, Master Lease
Revenues					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	772	--	--	--	--
Fines, Forfeitures, and Penalties	3	--	--	14,450	--
Use of Money and Property	253	101	7	162	--
Intergovernmental	60,669	162,225	--	--	--
Charges for Services	37,936	10	135	--	--
Other	1,185	666	40	--	--
Total Revenues	100,818	163,002	182	14,612	--
Expenditures					
Current					
General Government	--	--	6	154	8
Public Protection	--	--	--	--	--
Public Ways and Facilities	57,594	--	--	--	--
Health and Sanitation	--	--	--	--	--
Public Assistance	--	161,412	--	--	--
Education	--	--	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	19,615	19	--	--	--
Debt Service					
Principal Retirement	--	--	--	33,859	451
Interest	--	--	--	600	2,157
Total Expenditures	77,209	161,431	6	34,613	2,616
Excess (Deficit) of Revenues					
Over Expenditures	23,609	1,571	176	(20,001)	(2,616)
Other Financing Sources (Uses)					
Transfers In	--	--	--	11,620	2,405
Transfers Out	(273)	(76)	(3)	--	--
Debt Issued	--	--	--	31,536	--
Loan Proceeds	--	--	--	--	--
Total Other Financing Sources (Uses)	(273)	(76)	(3)	43,156	2,405
Net Change in Fund Balances	23,336	1,495	173	23,155	(211)
Fund Balances - Beginning of Year	51,093	16,874	1,195	48,632	3,154
Fund Balances - End of Year	\$ 74,429	\$ 18,369	\$ 1,368	\$ 71,787	\$ 2,943

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COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES (Continued)
 NONMAJOR GOVERNMENTAL FUNDS

	Debt Service			
	Pension Obligation Bonds	Capital Facilities Development Corporation	South OC Public Financing Authority	Orange County Public Financing Authority
Revenues				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures, and Penalties	--	--	--	--
Use of Money and Property	19	--	174	134
Intergovernmental	--	--	--	--
Charges for Services	--	--	--	--
Other	--	--	--	--
Total Revenues	19	--	174	134
Expenditures				
Current				
General Government	38	1,313	--	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	--	--	--
Education	--	--	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	--	--	--	--
Debt Service				
Principal Retirement	7,920	--	7,335	41,235
Interest	31,199	--	2,974	1,587
Total Expenditures	39,157	1,313	10,309	42,822
Excess (Deficit) of Revenues Over Expenditures	(39,138)	(1,313)	(10,135)	(42,688)
Other Financing Sources (Uses)				
Transfers In	--	--	10,291	10,055
Transfers Out	--	(152,489)	(37,813)	(1,144)
Debt Issued	--	--	--	--
Loan Proceeds	--	175,340	--	--
Total Other Financing Sources (Uses)	--	22,851	(27,522)	8,911
Net Change in Fund Balances	(39,138)	21,538	(37,657)	(33,777)
Fund Balances - Beginning of Year	100,598	--	60,944	55,564
Fund Balances - End of Year	\$ 61,460	\$ 21,538	\$ 23,287	\$ 21,787

	Capital Projects			Permanent
	Criminal Justice Facilities	Countywide Capital Projects Non- General Fund	Capital Facilities Development Corporation Construction	Regional Park Endowment
Revenues				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures, and Penalties	3,048	--	--	--
Use of Money and Property	91	135	--	1
Intergovernmental	--	--	--	--
Charges for Services	--	--	--	--
Other	73	6	--	3
Total Revenues	3,212	141	--	4
Expenditures				
Current				
General Government	--	1,528	382	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	--	--	--
Education	--	--	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	14,175	36,304	636	--
Debt Service				
Principal Retirement	--	--	--	--
Interest	--	--	--	--
Total Expenditures	14,175	37,832	1,018	--
Excess (Deficit) of Revenues Over Expenditures	(10,963)	(37,691)	(1,018)	4
Other Financing Sources (Uses)				
Transfers In	16,699	89,928	152,489	--
Transfers Out	(3,668)	(37,284)	--	--
Debt Issued	--	--	--	--
Loan Proceeds	--	--	--	--
Total Other Financing Sources (Uses)	13,031	52,644	152,489	--
Net Change in Fund Balances	2,068	14,953	151,471	4
Fund Balances - Beginning of Year	10,495	31,613	--	337
Fund Balances - End of Year	\$ 12,563	\$ 46,566	\$ 151,471	\$ 341

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County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017
(Dollar Amounts in Thousands)

Supplemental Information
(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Parking Facilities				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 6,353	\$ 6,353	\$ 5,942	\$ (411)
Charges for Services	274	274	328	54
Other	6	6	27	21
Transfers In	--	484	484	--
Total Revenues and Other Financing Sources	6,633	7,117	6,781	(336)
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Parking Facilities	7,756	7,954	6,876	1,078
Total Expenditures and Other Financing Uses	7,756	7,954	6,876	1,078
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,123)	(837)	(95)	\$ 742
Fund Balances - Beginning of Year	837	837	837	
Fund Balances - End of Year	\$ (286)	\$ --	\$ 742	
Service Area Lighting, Maintenance, and Assessment Districts				
Revenues and Other Financing Sources				
Taxes	\$ 607	\$ 607	\$ 619	\$ 12
Use of Money and Property	68	213	549	336
Intergovernmental	4	4	4	--
Charges for Services	29	29	30	1
Other	150	150	2	(148)
Premiums on Bonds Issued	--	--	10,142	10,142
Bond Issuance Proceeds	--	101,819	85,057	(16,762)
Total Revenues and Other Financing Sources	858	102,822	96,403	(6,419)
Expenditures and Other Financing Uses				
General Government:				
Special Assessment-Top of the World Improvement	56	56	--	56
CFD 2015-1 RMV (Village of Esencial) Construction	19,102	32,438	4,431	28,007
CFD 2016-1 RMV (Village of Esencial) Construction	--	101,819	35,008	66,811
Public Ways and Facilities:				
North Tustin Landscaping and Lighting Assessment District	3,700	3,700	162	3,538
County Service Area No. 13- La Mirada	10	10	9	1
County Service Area No. 20- La Habra	10	10	--	10
County Service Area No. 22- East Yorba Linda	124	124	37	87
Total Expenditures and Other Financing Uses	23,002	138,157	39,647	98,510
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(22,144)	(35,335)	56,756	\$ 92,091
Fund Balances - Beginning of Year	37,209	37,209	37,209	
Fund Balances - End of Year	\$ 15,065	\$ 1,874	\$ 93,965	
Other Environmental Management				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 401	\$ 401	\$ 569	\$ 168
Intergovernmental	495	495	1,190	695
Charges for Services	75	75	550	475
Other	166	166	253	87
Transfers In	--	25	25	--
Total Revenues and Other Financing Sources	1,137	1,162	2,587	1,425
Expenditures and Other Financing Uses				
General Government:				
Real Estate Development Program	1,767	1,792	54	1,738
Air Quality Improvement	744	744	424	320
Public Protection:				
Survey Monument Preservation	357	357	135	222
Public Ways and Facilities:				
EI Toro Improvement Fund	1,136	1,136	99	1,037
Total Expenditures and Other Financing Uses	4,004	4,029	712	3,317
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,867)	(2,867)	1,875	\$ 4,742
Fund Balances - Beginning of Year	4,696	4,696	4,696	
Fund Balances - End of Year	\$ 1,829	\$ 1,829	\$ 6,571	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Tobacco Settlement				
Revenues and Other Financing Sources				
Other:	\$ 26,299	\$ 25,659	\$ 26,685	\$ 1,026
Total Revenues and Other Financing Sources	26,299	25,659	26,685	1,026
Expenditures and Other Financing Uses				
General Government:				
Orange County Tobacco Settlement Fund	36,120	38,120	27,721	10,399
Total Expenditures and Other Financing Uses	36,120	38,120	27,721	10,399
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(9,821)	(12,461)	(1,036)	\$ 11,425
Fund Balances - Beginning of Year	12,461	12,461	12,461	
Fund Balances - End of Year	\$ 2,640	\$ --	\$ 11,425	
Community and Welfare Services				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	\$ 900	\$ 900	\$ 822	\$ (78)
Use of Money and Property	1,088	1,088	1,386	298
Intergovernmental	42,783	45,783	31,725	(14,058)
Charges for Services	6,341	3,341	3,503	162
Other	479	479	1,028	549
Transfers In	37,146	37,156	34,478	(2,678)
Total Revenues and Other Financing Sources	88,737	88,747	72,942	(15,805)
Expenditures and Other Financing Uses				
Public Assistance:				
MISA Housing Fund	1,001	1,001	17	984
OC Animal Care Center Donations	100	123	101	22
Dispute Resolution Program	888	851	572	279
Domestic Violence Program	974	995	765	230
Facilities Development and Maintenance	7,386	7,386	327	7,059
Workforce Investment Act	22,801	22,182	11,521	10,861
County Executive Office- Single Family Housing	951	951	3	948
OC Housing	10,307	10,903	6,074	4,829
Strategic Priority Affordable Housing	448	540	112	428
In-Home Support Services Public Authority	2,480	2,480	1,775	705
SSA Donations and Fees	1,466	1,466	1,960	506
SSA Wraparound	25,867	31,866	25,625	6,241
CallHome Program Reuse Fund	1,084	1,270	9	1,261
OC Animal Shelter Fund	25,235	27,151	20,035	7,116
Santa Ana Regional Center Lease Conveyance	619	619	618	1
Total Expenditures and Other Financing Uses	101,507	109,784	68,514	41,270
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(12,870)	(21,037)	4,428	\$ 25,465
Fund Balances - Beginning of Year	100,915	100,915	100,915	
Fund Balances - End of Year	\$ 88,045	\$ 79,878	\$ 105,343	
OC Parks				
Revenues and Other Financing Sources				
Taxes	\$ 78,939	\$ 78,939	\$ 82,102	\$ 3,163
Licenses, Permits, and Franchises	210	210	247	37
Fines, Forfeitures, and Penalties	34	34	50	16
Use of Money and Property	10,056	10,056	11,269	1,213
Intergovernmental	5,941	5,941	948	(4,993)
Charges for Services	8,598	8,598	9,830	1,232
Other	1,376	1,376	833	(543)
Transfers In	11,746	11,746	11,746	--
Total Revenues and Other Financing Sources	116,900	116,900	117,025	125
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
County Tidelands - Newport Bay	6,591	6,591	4,472	2,119
OC Parks	109,123	110,123	91,775	18,348
OC Capital	31,018	34,096	10,373	23,723
Total Expenditures and Other Financing Uses	146,732	150,810	106,620	44,190
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(29,832)	(33,910)	10,405	\$ 44,315
Fund Balances - Beginning of Year	91,957	91,957	91,957	
Fund Balances - End of Year	\$ 62,125	\$ 58,047	\$ 102,362	

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2017
 (Dollar Amounts in Thousands)

Supplemental Information
 (Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
OC Dana Point Harbor				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	\$ 10	\$ 10	\$ --	\$ (10)
Fines, Forfeitures and Penalties	127	127	94	(33)
Use of Money and Property	25,178	25,178	26,593	1,415
Charges for Services	946	946	957	11
Other	41	41	89	48
Total Revenues and Other Financing Sources	26,302	26,302	27,733	1,431
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
OC Dana Point Harbor	45,815	45,261	25,144	20,117
Total Expenditures and Other Financing Uses	45,815	45,261	25,144	20,117
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(19,513)	(18,959)	2,589	\$ 21,548
Fund Balances - Beginning of Year	65,133	65,133	65,133	
Fund Balances - End of Year	\$ 45,620	\$ 46,174	\$ 67,722	
Housing Asset				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 226	\$ 226	\$ 279	\$ 53
Transfers In	--	62	62	--
Total Revenues and Other Financing Sources	226	288	341	53
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Development Agency Housing Asset	11,992	12,824	695	12,129
Total Expenditures and Other Financing Uses	11,992	12,824	695	12,129
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(11,766)	(12,536)	(354)	\$ 12,182
Fund Balances - Beginning of Year	31,918	31,918	31,918	
Fund Balances - End of Year	\$ 20,152	\$ 19,382	\$ 31,564	
Schedule I County-Administered Accounts				
Revenues and Other Financing Sources				
Other	\$ --	\$ 1	\$ --	\$ (1)
Total Revenues and Other Financing Sources	--	1	--	(1)
Expenditures and Other Financing Uses				
General Government:				
Indemnification Reserve	--	4	3	1
Litigation Reserve	--	12	12	--
Total Expenditures and Other Financing Uses	--	16	15	1
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	(15)	(15)	\$ --
Fund Balances - Beginning of Year	15	15	15	
Fund Balances - End of Year	\$ 15	\$ --	\$ --	

BUDGETARY COMPARISON SCHEDULES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
OC Public Libraries				
Revenues and Other Financing Sources				
Taxes	\$ 44,725	\$ 44,725	\$ 50,671	\$ 5,946
Licenses, Permits, and Franchises	--	--	3	3
Fines, Forfeitures, and Penalties	19	19	7	(12)
Use of Money and Property	246	246	409	163
Intergovernmental	560	560	372	(188)
Charges for Services	1,042	1,042	1,084	42
Other	551	551	572	21
Transfers In	--	4,500	4,500	--
Total Revenues and Other Financing Sources	47,143	51,643	57,618	5,975
Expenditures and Other Financing Uses				
Education:				
OC Public Libraries - Capital	1,943	7,652	1,249	6,403
OC Public Libraries	56,317	61,297	47,119	14,178
Total Expenditures and Other Financing Uses	58,260	68,949	48,368	20,581
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(11,117)	(17,306)	9,250	\$ 26,556
Fund Balances - Beginning of Year	33,788	33,788	33,788	
Fund Balances - End of Year	\$ 22,671	\$ 16,482	\$ 43,038	
Plan of Adjustment Available Cash				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 25	\$ 25	\$ 22	\$ (3)
Transfers In	5,384	17,103	17,104	1
Total Revenues and Other Financing Sources	5,409	17,128	17,126	(2)
Expenditures and Other Financing Sources				
General Government:				
Recovery Plan of Adjustment Available Cash	12,314	25,324	13,593	11,731
Total Expenditures and Other Financing Uses	12,314	25,324	13,593	11,731
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,905)	(8,196)	3,533	\$ 11,729
Fund Balances - Beginning of Year	13,597	13,597	13,597	
Fund Balances - End of Year	\$ 6,692	\$ 5,401	\$ 17,130	
Health Care Programs				
Revenues and Other Financing Sources				
Fines, Forfeitures, and Penalties	\$ 8,765	\$ 8,765	\$ 7,627	\$ (1,138)
Use of Money and Property	124	124	221	97
Intergovernmental	5,977	7,177	6,786	(391)
Charges for Services	1,344	1,344	1,271	(73)
Other	255	255	61	(194)
Transfers In	400	400	359	(41)
Total Revenues and Other Financing Sources	16,865	18,065	16,325	(1,740)
Expenditures and Other Financing Uses				
Health and Sanitation:				
Medi-Cal Administrative Activities Targeted Case Management	1,733	1,933	1,675	258
Emergency Medical Services	8,664	8,664	7,537	1,127
HCA Purpose Restricted Revenues	2,466	2,466	1,081	1,385
HCA Interest Bearing Purpose Restricted Revenues	30	30	24	6
Biotechnology Center for Disease Control	4,348	5,348	5,000	348
Total Expenditures and Other Financing Uses	17,241	18,441	15,317	3,124
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(376)	(376)	1,008	\$ 1,384
Fund Balances - Beginning of Year	33,857	33,857	33,857	
Fund Balances - End of Year	\$ 33,481	\$ 33,481	\$ 34,865	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

**BUDGETARY COMPARISON SCHEDULES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)**

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Roads				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	\$ 606	\$ 606	\$ 772	\$ 166
Fines, Forfeitures, and Penalties	7	7	5	(2)
Use of Money and Property	490	490	658	168
Intergovernmental	68,306	68,598	60,533	(8,065)
Charges for Services	34,574	34,574	38,072	3,498
Other	41,088	45,260	1,339	(44,221)
Total Revenues and Other Financing Sources	145,071	149,835	101,379	(48,456)
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
OC Road	145,499	145,790	76,976	68,814
Foothill Circulation Phasing Plan	1,026	1,245	373	872
South County Roadway Improve Prog (SCRIP)	34,323	34,323	--	34,323
Total Expenditures and Other Financing Uses	180,848	181,358	77,349	104,009
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(35,777)	(31,523)	24,030	\$ 55,553
Fund Balances - Beginning of Year	52,027	52,027	52,027	
Fund Balances - End of Year	\$ 16,250	\$ 20,504	\$ 76,057	
Orange County Housing Authority				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 88	\$ 88	\$ 150	\$ 62
Intergovernmental	163,573	164,466	162,225	(2,241)
Charges for Services	5	5	10	5
Other	1,141	1,020	696	(354)
Total Revenues and Other Financing Sources	164,807	165,579	163,051	(2,529)
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Housing Authority-Operating Reserve	5,592	5,593	1,347	4,246
Orange County Housing Authority	168,296	169,954	160,164	9,790
Total Expenditures and Other Financing Uses	173,888	175,547	161,511	14,036
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(9,081)	(9,968)	1,540	\$ 11,508
Fund Balances - Beginning of Year	16,846	16,846	16,846	
Fund Balances - End of Year	\$ 7,765	\$ 6,878	\$ 18,386	
Other Governmental Resources				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 2	\$ 2	\$ 8	\$ 6
Charges for Services	220	220	135	(85)
Other	4	4	40	36
Total Revenues and Other Financing Sources	226	226	183	(43)
Expenditures and Other Financing Uses				
General Government:				
Remittance Processing Equipment Replacement	76	76	6	70
Assessor Property Characteristic	220	220	--	220
Total Expenditures and Other Financing Uses	296	296	6	290
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(70)	(70)	177	\$ 247
Fund Balances - Beginning of Year	1,193	1,193	1,193	
Fund Balances - End of Year	\$ 1,123	\$ 1,123	\$ 1,370	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

**BUDGETARY COMPARISON SCHEDULES
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Teeter Plan Notes				
Revenues and Other Financing Sources				
Fines, Forfeitures, and Penalties	\$ --	\$ --	\$ 11,053	\$ 11,053
Use of Money and Property	200	200	333	133
Transfers In	--	11,620	11,620	--
Bond Issuance Proceeds	30,000	30,000	31,536	1,536
Total Revenues and Other Financing Sources	30,200	41,820	54,542	12,722
Expenditures and Other Financing Uses				
General Government:				
Teeter Series A Debt Service	56,852	56,852	34,614	22,238
Total Expenditures and Other Financing Uses	56,852	56,852	34,614	22,238
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(26,652)	(15,032)	19,928	\$ 34,960
Fund Balances - Beginning of Year	48,524	48,524	48,524	
Fund Balances - End of Year	\$ 21,872	\$ 33,492	\$ 68,452	
Pension Obligation Bonds				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 21,018	\$ 21,018	\$ 21,019	\$ 1
Total Revenues and Other Financing Sources	21,018	21,018	21,019	1
Expenditures and Other Financing Uses				
General Government:				
Pension Obligation Bonds Debt Service	39,165	39,165	39,157	8
Total Expenditures and Other Financing Uses	39,165	39,165	39,157	8
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(18,147)	(18,147)	(18,138)	\$ 9
Fund Balances - Beginning of Year	46,343	46,343	46,343	
Fund Balances - End of Year	\$ 28,196	\$ 28,196	\$ 28,205	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

BUDGETARY COMPARISON SCHEDULES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Criminal Justice Facilities				
Revenues and Other Financing Sources				
Fines, Forfeitures, and Penalties	\$ 4,395	\$ 3,921	\$ 3,048	\$ (873)
Use of Money and Property	50	50	158	108
Other	5	5	73	68
Transfers In	21,696	30,301	20,200	(10,101)
Total Revenues and Other Financing Sources	28,146	34,277	23,479	(10,798)
Expenditures and Other Financing Uses				
Public Protection:				
Criminal Justice Facilities Accumulated Capital Outlay	15,062	16,862	5,351	11,511
Courthouse Temporary Construction	3,635	3,647	3,647	--
Sheriff - Coroner Construction and Facility Development	21,468	25,464	8,845	16,619
Total Expenditures and Other Financing Uses	40,165	45,973	17,843	28,130
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(14,019)	(11,696)	5,636	\$ 17,332
Fund Balances - Beginning of Year	14,461	14,461	14,461	
Fund Balances - End of Year	\$ 442	\$ 2,765	\$ 20,097	
Countywide Capital Projects Non-General Fund				
Revenues and Other Financing Sources				
Other	\$ --	\$ --	\$ 6	\$ 6
Transfers In	15,212	100,627	89,913	(10,714)
Total Revenues and Other Financing Sources	15,212	100,627	89,919	(10,708)
Expenditures and Other Financing Uses				
Capital Improvements:				
Countywide Capital Projects Non-General	94,203	102,754	74,327	28,427
Countywide IT Projects Non-General	--	5,567	591	4,976
Total Expenditures and Other Financing Uses	94,203	108,321	74,918	33,403
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(78,991)	(7,694)	15,001	\$ 22,695
Fund Balances - Beginning of Year	31,557	31,557	31,557	
Fund Balances - End of Year	\$ (47,434)	\$ 23,863	\$ 46,558	

BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUND

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Regional Park Endowment				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 2	\$ 2	\$ 3	\$ 1
Other	--	--	2	2
Total Revenues and Other Financing Sources	2	2	5	3
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Limestone Regional Park Mitigation Maintenance Endowment	2	2	--	2
Total Expenditures and Other Financing Uses	2	2	--	2
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	--	5	\$ 5
Fund Balances - Beginning of Year	179	179	179	
Fund Balances - End of Year	\$ 179	\$ 179	\$ 184	

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INTERNAL SERVICE FUNDS

These funds are used to account for the financing of goods or services provided by one County department or agency to other County departments or agencies, or to other governmental entities, on a cost-reimbursement basis.

Health and Other Self-Insured Employee Benefits

These funds are used to account for the County's self-funded health insurance programs, group salary continuance plan, group dental insurance programs, wellness program, and flexible spending accounts.

Health Maintenance Organization (HMO) Health Insurance

This fund is used to account for the fully insured health plans for the County employees and retirees.

Life Insurance

This fund is used to account for the County's life insurance and accidental death and dismemberment insurance for employees.

Workers' Compensation

This fund is used to account for the County's self-funded workers' compensation insurance program.

Unemployment Insurance

This fund is used to account for the County's self-funded unemployment insurance program.

Property and Casualty Risk

This fund is used to account for the County's self-funded property and casualty risk insurance program.

Transportation

This fund is used to account for motor pool repair and maintenance, and for other transportation services, which are provided to departments and agencies on a cost-reimbursement basis.

Reprographics

This fund is used to account for printing and graphic services, which are provided to departments and agencies on a cost-reimbursement basis.

Information and Technology

This fund is used to account for applications development and support, voice and data services, and desktop support to departments and agencies on a cost-reimbursement basis.



COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance	Life Insurance	Workers' Compensation
ASSETS					
Current Assets					
Pooled Cash/Investments	\$ 237,275	\$ 32,740	\$ 7,662	\$ 159	\$ 76,769
Cash/Cash Equivalents	375	375	--	--	--
Imprest Cash Funds	8	--	--	--	--
Restricted Cash and Investments with Trustee	5	5	--	--	--
Receivables					
Accounts	137	1	13	--	--
Interest/Dividends	488	73	--	--	174
Allowance for Uncollectible Receivables	(52)	--	--	--	--
Due from Other Funds	4,717	14	105	--	128
Due from Other Governmental Agencies	1,052	608	--	--	2
Inventory of Materials and Supplies	409	--	--	--	--
Prepaid Costs	1,826	--	--	--	248
Total Current Assets	246,240	33,816	7,780	159	77,321
Noncurrent Assets					
Capital Assets					
Construction in Progress	1,846	--	--	--	--
Intangible Assets In Progress	65	--	--	--	65
Structures and Improvements	11,738	--	--	--	--
Accumulated Depreciation	(6,412)	--	--	--	--
Equipment	129,026	--	--	--	8
Accumulated Depreciation	(77,719)	--	--	--	(8)
Total Capital Assets	58,594	--	--	--	65
Total Assets	304,834	33,816	7,780	159	77,386
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to Pension	8,421	--	--	--	1,820
Total Deferred Outflows of Resources	8,421	--	--	--	1,820
LIABILITIES					
Current Liabilities					
Accounts Payable	21,256	419	5	--	1,344
Retainage Payable	12	--	--	--	--
Salaries and Employee Benefits Payable	468	--	--	--	64
Due to Other Funds	2,521	36	--	--	10
Due to Other Governmental Agencies	13	--	--	--	--
Insurance Claims Payable	54,026	12,553	--	--	28,248
Compensated Employee Absences Payable	1,088	--	--	--	151
Capital Lease Obligations Payable	6,900	--	--	--	--
Total Current Liabilities	86,264	13,008	5	--	29,817
Noncurrent Liabilities					
Insurance Claims Payable	148,145	--	--	--	117,386
Compensated Employee Absences Payable	1,194	--	--	--	140
Net Pension Liability	38,515	--	--	--	7,276
Total Noncurrent Liabilities	187,854	--	--	--	124,802
Total Liabilities	274,118	13,008	5	--	154,619
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to Pension	5,607	--	--	--	1,286
Total Deferred Inflows of Resources	5,607	--	--	--	1,286
NET POSITION					
Net Investment in Capital Assets	51,694	--	--	--	65
Unrestricted	(18,164)	20,808	7,775	159	(76,764)
Total Net Position	\$ 33,530	\$ 20,808	\$ 7,775	\$ 159	\$ (76,699)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology
\$ 9,032	\$ 55,380	\$ 13,857	\$ 3,758	\$ 37,918
--	--	--	--	--
--	5	--	--	3
--	--	--	--	--
--	4	57	--	62
20	125	24	--	72
--	--	(51)	--	(1)
--	200	4,266	--	4
--	24	23	6	389
--	--	409	--	--
--	127	598	101	764
9,052	55,865	19,171	3,865	39,211
--	--	582	--	1,264
--	--	--	--	--
--	--	8,986	--	2,802
--	--	(5,440)	--	(972)
--	--	51,772	1,515	75,731
--	--	(25,673)	(1,256)	(50,782)
--	--	30,227	259	28,043
9,052	55,865	49,398	4,124	67,254
--	586	2,603	494	2,918
--	586	2,603	494	2,918
--	1,914	1,272	43	16,259
--	--	9	--	3
--	34	162	29	179
--	--	559	220	1,696
--	--	--	13	--
922	12,303	--	--	--
--	105	355	53	404
--	--	--	--	6,900
922	14,356	2,357	358	25,441
--	30,759	--	--	--
--	104	454	49	447
--	2,881	12,583	2,466	13,309
--	33,744	13,037	2,515	13,756
922	48,100	15,394	2,873	39,197
--	390	1,725	320	1,886
--	390	1,725	320	1,886
--	--	30,227	259	21,143
8,130	7,961	4,655	1,166	7,946
\$ 8,130	\$ 7,961	\$ 34,882	\$ 1,425	\$ 29,089

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance	Life Insurance	Workers' Compensation
Operating Revenues					
Use of Money and Property	\$ 1,889	\$ --	\$ --	\$ --	\$ --
Charges for Services	94,841	--	--	--	--
Insurance Premiums	324,975	66,712	173,930	835	52,045
Total Operating Revenues	<u>421,705</u>	<u>66,712</u>	<u>173,930</u>	<u>835</u>	<u>52,045</u>
Operating Expenses					
Salaries and Employee Benefits	21,815	--	--	--	2,806
Services and Supplies	25,816	1,976	--	--	466
Professional Services	58,366	4,711	4	--	5,002
Operating Leases	1,630	--	--	--	196
Insurance Claims and Premiums	279,586	62,039	169,106	798	30,398
Other Charges	455	455	--	--	--
Taxes and Other Fees	11	--	--	--	--
Depreciation	8,086	--	--	--	--
Total Operating Expenses	<u>395,765</u>	<u>69,181</u>	<u>169,110</u>	<u>798</u>	<u>38,868</u>
Operating Income (Loss)	<u>25,940</u>	<u>(2,469)</u>	<u>4,820</u>	<u>37</u>	<u>13,177</u>
Nonoperating Revenues					
Intergovernmental Revenues	1,147	1,147	--	--	--
Interest and Investment Income	791	136	67	1	220
Gain on Disposition of Capital Assets	248	--	--	--	--
Other Taxes	11	--	--	--	--
Other Revenue	5,789	1,925	144	--	2,969
Total Nonoperating Revenues	<u>7,986</u>	<u>3,208</u>	<u>211</u>	<u>1</u>	<u>3,189</u>
Income (Loss) Before Contributions and Transfers	33,926	739	5,031	38	16,366
Capital Contributions	454	--	--	--	--
Transfers In	8,321	1,853	5	--	398
Transfers Out	(4,101)	--	(78)	(1)	(12)
Change in Net Position	<u>38,600</u>	<u>2,592</u>	<u>4,958</u>	<u>37</u>	<u>16,752</u>
Net Position - Beginning of Year	(5,070)	18,216	2,817	122	(93,451)
Net Position - End of Year	<u>\$ 33,530</u>	<u>\$ 20,808</u>	<u>\$ 7,775</u>	<u>\$ 159</u>	<u>\$ (76,699)</u>

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology	
\$ --	\$ --	\$ --	\$ --	\$ 1,889	Operating Revenues
--	--	22,752	4,336	67,753	Use of Money and Property
--	31,453	--	--	--	Charges for Services
--	31,453	--	--	--	Insurance Premiums
--	31,453	22,752	4,336	69,642	Total Operating Revenues
--	1,518	7,759	1,303	8,429	Operating Expenses
--	6,097	8,230	1,178	7,869	Salaries and Employee Benefits
49	596	2,475	475	45,054	Services and Supplies
--	192	26	473	743	Professional Services
1,088	16,157	--	--	--	Operating Leases
--	--	--	--	--	Insurance Claims and Premiums
--	--	11	--	--	Other Charges
--	--	4,030	96	3,960	Taxes and Other Fees
--	--	--	--	--	Depreciation
1,137	24,560	22,531	3,525	66,055	Total Operating Expenses
(1,137)	6,893	221	811	3,587	Operating Income (Loss)
--	--	--	--	--	Nonoperating Revenues
39	158	62	15	93	Intergovernmental Revenues
--	--	204	42	2	Interest and Investment Income
--	--	11	--	--	Gain on Disposition of Capital Assets
6	200	227	146	172	Other Taxes
45	358	504	203	267	Other Revenue
(1,092)	7,251	725	1,014	3,854	Total Nonoperating Revenues
--	--	454	--	--	Income (Loss) Before Contributions and Transfer
--	--	6,065	--	--	Capital Contributions
--	--	(215)	--	(3,795)	Transfers In
(1,092)	7,251	7,029	1,014	59	Transfers Out
9,222	710	27,853	411	29,030	Change in Net Position
\$ 8,130	\$ 7,961	\$ 34,882	\$ 1,425	\$ 29,089	Net Position - Beginning of Year
					Net Position - End of Year

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County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2017
 (Dollar Amounts in Thousands)

Supplemental Information
 (Dollar Amounts in Thousands)

COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS

	Total	Health and Other Self-insured Employee Benefits	HMO Health Insurance	Life Insurance	Workers' Compensation
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 28,870	\$ --	\$ --	\$ --	\$ --
Cash Received for Premiums Within the County's Entity	324,975	66,712	173,930	835	52,045
Payments to Suppliers for Goods and Services	(381,042)	(69,022)	(169,106)	(798)	(50,068)
Payments to Employees for Services	(22,101)	--	--	--	(2,307)
Payments for Interfund Services	(3,242)	--	(104)	--	(121)
Receipts for Interfund Services	70,395	721	--	--	--
Payment for Taxes and Other Fees	(11)	--	--	--	--
Other Operating Receipts	5,789	1,925	144	--	2,969
Other Operating Payments	(2,404)	(765)	(5)	--	(198)
Net Cash Provided (Used) by Operating Activities	21,229	(429)	4,859	37	1,722
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	8,321	1,853	5	--	398
Transfers Out	(4,101)	--	(78)	(1)	(12)
Intergovernmental Revenues	1,147	1,147	--	--	--
Other Taxes	11	--	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	5,378	3,000	(73)	(1)	386
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(13,658)	--	--	--	(65)
Principal Paid on Capital Lease Obligations	(6,900)	--	--	--	--
Net Cash (Used) by Capital and Related Financing Activities	(20,558)	--	--	--	(65)
CASH FLOW FROM INVESTING ACTIVITIES					
Interest on Investments	685	115	67	1	176
Net Cash Provided by Investing Activities	685	115	67	1	176
Net Increase (Decrease) in Cash and Cash Equivalents	6,734	2,696	4,853	37	2,219
Cash and Cash Equivalents - Beginning of Year	230,929	30,434	2,809	122	74,550
Cash and Cash Equivalents - End of Year	\$ 237,663	\$ 33,120	\$ 7,662	\$ 159	\$ 76,769
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 25,940	\$ (2,469)	\$ 4,820	\$ 37	\$ 13,177
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	8,086	--	--	--	--
Other Revenue	5,789	1,925	144	--	2,969
(Increases) Decreases In:					
Accounts Receivable	(29)	5	(5)	--	--
Due from Other Funds	(2,134)	686	(105)	--	(128)
Due from Other Governmental Agencies	(397)	(315)	--	--	--
Inventory of Materials and Supplies	3	--	--	--	--
Prepaid Costs	(213)	--	--	--	(72)
Deferred Outflows of Resources Related to Pension	3,063	--	--	--	878
Increases (Decreases) In:					
Accounts Payable	245	129	5	--	(73)
Retainage Payable	10	--	--	--	--
Salaries and Employee Benefits Payable	(686)	--	--	--	(80)
Due to Other Funds	1,532	35	--	--	6
Due to Other Governmental Agencies	8	--	--	--	--
Insurance Claims Payable	(17,325)	(425)	--	--	(14,056)
Compensated Employee Absences Payable	148	--	--	15	--
Net Pension Liability	(4,098)	--	--	--	(1,304)
Deferred Inflows of Resources Related to Pension	1,197	--	--	--	390
Total Adjustments	(4,711)	2,040	39	--	(11,455)
Net Cash Provided (Used) by Operating Activities	\$ 21,229	\$ (429)	\$ 4,859	\$ 37	\$ 1,722
Reconciliation of Cash and Cash Equivalents to Statement of Net Position					
Pooled Cash/Investments	\$ 237,275	\$ 32,740	\$ 7,662	\$ 159	\$ 76,769
Cash/Cash Equivalents	375	375	--	--	--
Imprest Cash Funds	8	--	--	--	--
Restricted Cash and Investments with Trustee	5	5	--	--	--
Total Cash and Cash Equivalents	\$ 237,663	\$ 33,120	\$ 7,662	\$ 159	\$ 76,769

	Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology
Receipts from Customers	\$ --	\$ --	\$ 22,781	\$ 4,415	\$ 1,674
Cash Received for Premiums Within the County's Entity	--	31,453	--	--	--
Payments to Suppliers for Goods and Services	(1,046)	(25,574)	(10,551)	(1,690)	(53,187)
Payments to Employees for Services	--	(1,523)	(7,783)	(1,353)	(8,535)
Payments for Interfund Services	--	(55)	(2,862)	--	--
Receipts for Interfund Services	--	--	--	175	69,499
Payment for Taxes and Other Fees	--	--	(11)	--	--
Other Operating Receipts	6	200	227	146	172
Other Operating Payments	--	(196)	(26)	(473)	(743)
Net Cash Provided (Used) by Operating Activities	(1,040)	4,305	1,675	1,220	8,880
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	--	--	6,065	--	--
Transfers Out	--	--	(215)	--	(3,795)
Intergovernmental Revenues	--	--	--	--	--
Other Taxes	--	--	11	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	--	--	5,861	--	(3,795)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	--	--	(12,873)	(11)	(709)
Principal Paid on Capital Lease Obligations	--	--	--	--	(6,900)
Net Cash (Used) by Capital and Related Financing Activities	--	--	(12,873)	(11)	(7,609)
CASH FLOW FROM INVESTING ACTIVITIES					
Interest on Investments	35	122	55	18	96
Net Cash Provided by Investing Activities	35	122	55	18	96
Net Increase (Decrease) in Cash and Cash Equivalents	(1,005)	4,427	(5,202)	1,227	(2,428)
Cash and Cash Equivalents - Beginning of Year	10,037	50,956	19,138	2,531	40,349
Cash and Cash Equivalents - End of Year	\$ 9,032	\$ 55,383	\$ 13,857	\$ 3,758	\$ 37,921

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (1,137)	\$ 6,893	\$ 221	\$ 811	\$ 3,587
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	--	--	4,030	96	3,960
Other Revenue	6	200	227	146	172
(Increases) Decreases In:					
Accounts Receivable	--	--	(1)	--	(28)
Due from Other Funds	--	(10)	(2,834)	--	257
Due from Other Governmental Agencies	--	(4)	30	79	(187)
Inventory of Materials and Supplies	--	--	3	--	--
Prepaid Costs	--	(4)	(33)	(10)	(94)
Deferred Outflows of Resources Related to Pension	--	193	852	117	1,023
Increases (Decreases) In:					
Accounts Payable	(23)	238	178	(37)	(172)
Retainage Payable	--	--	8	--	2
Salaries and Employee Benefits Payable	--	(45)	(211)	(43)	(307)
Due to Other Funds	--	(45)	(128)	175	1,489
Due to Other Governmental Agencies	--	--	(2)	10	--
Insurance Claims Payable	114	(2,958)	--	--	--
Compensated Employee Absences Payable	--	7	71	(8)	64
Net Pension Liability	--	(226)	(1,050)	(163)	(1,263)
Deferred Inflows of Resources Related to Pension	--	68	314	48	377
Total Adjustments	97	(2,588)	1,454	409	5,293
Net Cash Provided (Used) by Operating Activities	\$ (1,040)	\$ 4,305	\$ 1,675	\$ 1,220	\$ 8,880
Reconciliation of Cash and Cash Equivalents to Statement of Net Position					
Pooled Cash/Investments	\$ 9,032	\$ 55,380	\$ 13,857	\$ 3,758	\$ 37,918
Cash/Cash Equivalents	--	--	--	--	--
Imprest Cash Funds	--	5	--	--	3
Restricted Cash and Investments with Trustee	--	--	--	--	--
Total Cash and Cash Equivalents	\$ 9,032	\$ 55,385	\$ 13,857	\$ 3,758	\$ 37,921

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the County in a trustee or agency capacity on behalf of outside parties, including employees, individuals, private organizations, or other governments. These funds cannot be used to support the County's programs. When these assets are held under a formal trust agreement, a trust fund is used. Agency funds are generally used to account for assets that the County holds on behalf of others as their agent in a purely custodial capacity.

PRIVATE-PURPOSE TRUST FUNDS

Public Administration Trust Funds

These funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds, and decedents' property held for escheatment.

Orange County Redevelopment Successor Agency (Successor Agency)

The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with ABx1 26. A successor agency was designated as the successor entity to the former redevelopment agency in accordance with Health and Safety Code 34173. The Orange County Redevelopment Successor Agency holds the assets of the dissolved OCDA pending liquidation and distribution.

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

Extra-Help Defined Benefit Plan

This fund is used to account for the retirement plan for employees working less than half-time or as extra-help. This retirement plan was closed to new participants as of February 28, 2002. The eligible employees of these plans are not covered by the Orange County Employees Retirement System (OCERS).

Extra-Help Defined Contribution Plan

This fund is used to account for the defined contribution retirement plan for extra-help and part-time employees. This plan replaced the Extra-Help Defined Benefit Retirement Plan and was effective for new employees on March 1, 2002. Effective February 10, 2015, the plan also includes new employees who have attained age 60 at date of hire, who waive membership in OCERS, and do not have funds on deposit with OCERS and otherwise meet the requirements under OCERS' regulations and state law to waive membership in OCERS. The eligible employees of these plans are not covered by OCERS.

401(a) Defined Contribution Plan

This fund accounts for the 401(a) defined contribution plan, which was established in January 1999 for eligible employees, including the members of the Board, certain executive managers, certain administrative managers once classified as confidential and grandfathered in the plan, attorneys represented by the Orange County Attorney's Association and certain other employee classifications as defined in the plan document. The plan was closed to the attorneys effective June 24, 2005. The plan was closed to new administrative managers and to all grandfathered administrative managers, effective June 23, 2016 and December 28, 2012, respectively.

1.62% at 65 Retirement, 401(a) Defined Contribution Plan

This fund is used to account for the matching 401(a) employer contributions for eligible employees in the "1.62% at 65" Retirement (OCERS) formula who voluntarily contribute to the "1.62% at 65" Retirement, 457(b) defined contribution plan. The Plan was established on May 7, 2010.

Retiree Medical Plan

This fund is used to account for the annual required contributions, benefit payments, and investment losses and gains in the Retiree Medical Trust which was established effective July 2, 2007. The Retiree Medical Trust was established exclusively for the Retiree Medical Plan which is a single employer Other Postemployment Benefit plan that was established on August 1, 1993 for eligible employees as defined in the plan document.

Health Reimbursement Arrangement (HRA) Plan

This fund is used to account for the employer contributions to the HRA, a defined contribution plan, which was established on June 17, 2008 for eligible employees, including employees represented by the Association of Orange County Deputy Sheriffs and Law Enforcement Management employees as defined in the plan document. The HRA was amended and restated on June 1, 2016 to provide for the transition of the Orange County Attorney's Association to the HRA Plan in July 2016.

AGENCY FUNDS

Unapportioned Tax and Interest Funds

This group of funds is used to account for the collection of property taxes and later distribution of such taxes, as well as the interest earned on them. Included are taxes collected by the County for other governmental units using the County Treasury, as well as governmental units not using the County Treasury, such as cities.

Departmental Funds

This group of funds is used by certain County officers to hold various types of cash receipts and deposits in a fiduciary capacity. Disbursements are made from these funds by checks issued by the County Auditor-Controller upon requisition of the responsible officer.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS**

	Total	Public Administration Trust Funds	Orange County Redevelopment Successor Agency
ASSETS			
Pooled Cash/Investments	\$ 62,928	\$ 53,841	\$ 9,087
Restricted Cash and Investments			
Restricted Investments with Trustee	4,653	--	4,653
Receivables			
Interest/Dividends	155	131	24
Due from Other Governmental Agencies	1	--	1
Land and Improvements Held for Resale	133	--	133
Total Assets	<u>67,870</u>	<u>53,972</u>	<u>13,898</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	333	--	333
Total Deferred Outflows of Resources	<u>333</u>	<u>--</u>	<u>333</u>
LIABILITIES			
Bonds Payable	26,238	--	26,238
Interest Payable	339	--	339
Due to Other Governmental Agencies	7	--	7
Total Liabilities	<u>26,584</u>	<u>--</u>	<u>26,584</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Charge on Refunding	114	--	114
Total Deferred Inflows of Resources	<u>114</u>	<u>--</u>	<u>114</u>
NET POSITION			
Restricted for Private-Purpose Trust Funds	41,505	53,972	(12,467)
Net Position (Deficit)	<u>\$ 41,505</u>	<u>\$ 53,972</u>	<u>\$ (12,467)</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

	Total	Public Administration Trust Funds	Orange County Redevelopment Successor Agency
Additions:			
Contributions to Private-Purpose Trust	\$ 72,203	\$ 72,203	\$ --
Intergovernmental Revenues	5,137	--	5,137
Other Revenues	628	--	628
Interest and Investment Income	609	559	50
Less: Investment Expense	(5)	--	(5)
Total Additions	<u>78,572</u>	<u>72,762</u>	<u>5,810</u>
Deductions:			
Distributions from Private-Purpose Trust	65,213	65,213	--
Professional Services	112	27	85
Tax Pass-Throughs	23	--	23
Interest Expense	931	--	931
Total Deductions	<u>66,279</u>	<u>65,240</u>	<u>1,039</u>
Change in Net Position	12,293	7,522	4,771
Net Position (Deficit), Beginning of Year	29,212	46,450	(17,238)
Net Position (Deficit), End of Year	<u>\$ 41,505</u>	<u>\$ 53,972</u>	<u>\$ (12,467)</u>

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**COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS**

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan
ASSETS				
Pooled Cash/Investments	\$ 297	\$ --	\$ --	\$ --
Restricted Cash and Investments				
Restricted Investments with Trustee	131,379	6,528	7,854	15,480
Restricted Cash with OCERS	268,394	--	--	--
Receivables				
Interest/Dividends	14	--	--	--
Due from Other Governmental Agencies	1,477	--	19	23
Total Assets	<u>401,561</u>	<u>6,528</u>	<u>7,873</u>	<u>15,503</u>
LIABILITIES				
Due to Other Governmental Agencies	2	--	--	--
Total Liabilities	<u>2</u>	<u>--</u>	<u>--</u>	<u>--</u>
NET POSITION				
Restricted for Pension and OPEB Benefits	401,559	6,528	7,873	15,503
Net Position	<u>\$ 401,559</u>	<u>\$ 6,528</u>	<u>\$ 7,873</u>	<u>\$ 15,503</u>

	1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
Pooled Cash/Investments	\$ 1	\$ 250	\$ 46
Restricted Cash and Investments			
Restricted Investments with Trustee	2,738	--	98,779
Restricted Cash with OCERS	--	268,394	--
Receivables			
Interest/Dividends	--	14	--
Due from Other Governmental Agencies	32	1,147	256
Total Assets	<u>2,771</u>	<u>269,805</u>	<u>99,081</u>
LIABILITIES			
Due to Other Governmental Agencies	--	2	--
Total Liabilities	<u>--</u>	<u>2</u>	<u>--</u>
NET POSITION			
Restricted for Pension and OPEB Benefits	2,771	269,803	99,081
Net Position	<u>\$ 2,771</u>	<u>\$ 269,803</u>	<u>\$ 99,081</u>

	1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
ASSETS			
Pooled Cash/Investments	\$ 1	\$ 250	\$ 46
Restricted Cash and Investments			
Restricted Investments with Trustee	2,738	--	98,779
Restricted Cash with OCERS	--	268,394	--
Receivables			
Interest/Dividends	--	14	--
Due from Other Governmental Agencies	32	1,147	256
Total Assets	<u>2,771</u>	<u>269,805</u>	<u>99,081</u>
LIABILITIES			
Due to Other Governmental Agencies	--	2	--
Total Liabilities	<u>--</u>	<u>2</u>	<u>--</u>
NET POSITION			
Restricted for Pension and OPEB Benefits	2,771	269,803	99,081
Net Position	<u>\$ 2,771</u>	<u>\$ 269,803</u>	<u>\$ 99,081</u>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan
Additions:				
Contributions to Pension and Other Employee Benefits Trust:				
Employer	\$ 64,006	\$ 784	\$ --	\$ 970
Employee	3,687	--	996	--
Interest and Investment Income	40,148	523	150	1,460
Less: Investment Expense	(603)	(5)	(8)	(11)
Total Additions	107,238	1,302	1,138	2,419
Deductions:				
Benefits Paid to Participants	37,722	373	624	1,177
Administrative Expense	47	--	--	--
Total Deductions	37,769	373	624	1,177
Change in Net Position	69,469	929	514	1,242
Net Position, Beginning of Year	332,090	5,599	7,359	14,261
Net Position, End of Year	\$ 401,559	\$ 6,528	\$ 7,873	\$ 15,503

	1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
Additions:			
Contributions to Pension and Other Employee Benefits Trust:			
Employer	\$ 1,211	\$ 47,853	\$ 13,188
Employee	--	2,691	--
Interest and Investment Income	270	27,817	9,928
Less: Investment Expense	(3)	(7)	(569)
Total Additions	1,478	78,354	22,547
Deductions:			
Benefits Paid to Participants	--	33,796	1,752
Administrative Expense	--	47	--
Total Deductions	--	33,843	1,752
Change in Net Position	1,478	44,511	20,795
Net Position, Beginning of Year	1,293	225,292	78,286
Net Position, End of Year	\$ 2,771	\$ 269,803	\$ 99,081

Additions:
Contributions to Pension and Other Employee Benefits Trust:
Employer
Employee
Interest and Investment Income
Less: Investment Expense
Total Additions
Deductions:
Benefits Paid to Participants
Administrative Expense
Total Deductions
Change in Net Position
Net Position, Beginning of Year
Net Position, End of Year

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
 ALL AGENCY FUNDS**

	Total	Unapportioned Tax and Interest Funds	Departmental Funds
ASSETS			
Pooled Cash/Investments	\$ 352,816	\$ 191,591	\$ 161,225
Cash/Cash Equivalents	206	--	206
Restricted Cash and Investments with Trustee	38,313	--	38,313
Investments	1,082	--	1,082
Deposits In-Lieu of Cash	54,565	--	54,565
Receivables			
Accounts	475	--	475
Taxes	302,964	302,964	--
Interest/Dividends	12,145	11,833	312
Allowance For Uncollectible Receivables	(179,589)	(179,588)	(1)
Due from Other Governmental Agencies	3,181	340	2,841
Notes Receivable	29,431	--	29,431
Total Assets	<u>615,589</u>	<u>327,140</u>	<u>288,449</u>
LIABILITIES			
Interest Payable	9,907	9,907	--
Deposits from Others	18,457	--	18,457
Monies Held for Others	203,981	--	203,981
Due to Other Governmental Agencies	66,011	--	66,011
Unapportioned Taxes	317,233	317,233	--
Total Liabilities	<u>615,589</u>	<u>327,140</u>	<u>288,449</u>
NET POSITION	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>



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**COMBINING STATEMENT OF CHANGES ASSETS AND LIABILITIES
 ALL AGENCY FUNDS**

UNAPPORTIONED TAX AND INTEREST FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	\$ 134,680	\$ 8,483,942	\$ 8,427,031	\$ 191,591
Receivables				
Taxes	340,178	18,096,670	18,133,884	302,964
Interest/Dividends	8,632	83,677	80,476	11,833
Allowance for Uncollectible Receivables	(167,620)	--	11,968	(179,588)
Due from Other Governmental Agencies	510	25,829	25,999	340
Total Assets	<u>\$ 316,380</u>	<u>\$ 26,690,118</u>	<u>\$ 26,679,358</u>	<u>\$ 327,140</u>
LIABILITIES				
Interest Payable	\$ 8,269	\$ 32,954	\$ 31,316	\$ 9,907
Due to Other Governmental Agencies	2	62,570	62,570	2
Unapportioned Taxes	308,109	11,232,053	11,222,931	317,231
Total Liabilities	<u>\$ 316,380</u>	<u>\$ 11,327,577</u>	<u>\$ 11,316,817</u>	<u>\$ 327,140</u>
DEPARTMENTAL FUNDS				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	\$ 139,804	\$ 3,627,548	\$ 3,606,127	\$ 161,225
Cash/Cash Equivalents	270	445	509	206
Restricted Cash and Investments with Trustee	29,465	117,323	108,475	38,313
Investments	1,082	--	--	1,082
Deposits In-Lieu of Cash	19,454	36,753	1,642	54,565
Receivables				
Accounts	28	2,502	2,055	475
Interest/Dividends	390	1,032	1,110	312
Allowance for Uncollectible Receivables	(1)	--	--	(1)
Due from Other Governmental Agencies	2,756	675,405	675,320	2,841
Prepaid Costs	--	14,236	14,236	--
Notes Receivable	29,674	--	243	29,431
Total Assets	<u>\$ 222,922</u>	<u>\$ 4,475,244</u>	<u>\$ 4,409,717</u>	<u>\$ 288,449</u>
LIABILITIES				
Deposits From Others	\$ 14,505	\$ 21,613	\$ 17,661	\$ 18,457
Monies Held for Others	147,095	6,157,608	6,100,722	203,981
Due to Component Unit	--	21	21	--
Due to Other Governmental Agencies	61,322	1,272,606	1,267,917	66,011
Total Liabilities	<u>\$ 222,922</u>	<u>\$ 7,451,848</u>	<u>\$ 7,386,321</u>	<u>\$ 288,449</u>

TOTAL - ALL AGENCY FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	\$ 274,484	\$ 12,111,490	\$ 12,033,158	\$ 352,816
Cash/Cash Equivalents	270	445	509	206
Restricted Cash and Investments with Trustee	29,465	117,323	108,475	38,313
Investments	1,082	--	--	1,082
Deposits In-Lieu of Cash	19,454	36,753	1,642	54,565
Receivables				
Accounts	28	2,502	2,055	475
Taxes	340,178	18,096,670	18,133,884	302,964
Interest/Dividends	9,022	84,709	81,586	12,145
Allowance for Uncollectible Receivables	(167,621)	--	11,968	(179,589)
Due from Other Governmental Agencies	3,266	701,234	701,319	3,181
Prepaid Costs	--	14,236	14,236	--
Notes Receivable	29,674	--	243	29,431
Total Assets	<u>\$ 539,302</u>	<u>\$ 31,165,362</u>	<u>\$ 31,089,075</u>	<u>\$ 615,589</u>
LIABILITIES				
Interest Payable	\$ 8,269	\$ 32,954	\$ 31,316	\$ 9,907
Deposits from Others	14,505	21,613	17,661	18,457
Monies Held for Others	147,095	6,157,608	6,100,722	203,981
Due to Component Unit	--	21	21	--
Due to Other Governmental Agencies	61,324	1,335,176	1,330,487	66,013
Unapportioned Taxes	308,109	11,232,053	11,222,931	317,231
Total Liabilities	<u>\$ 539,302</u>	<u>\$ 18,779,425</u>	<u>\$ 18,703,138</u>	<u>\$ 615,589</u>



STATISTICAL SECTION
(UNAUDITED)

The information in this section is not covered by the Independent Auditor's Report but is presented as supplemental data for the benefit of the readers of the Comprehensive Annual Financial Report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the basic financial statements, notes to the basic financial statements, and required supplementary information to understand and assess a government's economic condition.

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<u>Revenue Capacity</u>	
These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.	205
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Source: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**Net Position by Component
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)**

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14 ⁽³⁾	2012-13
Governmental Activities					
Net Investment in Capital Assets	\$ 2,813,296	\$ 2,707,493	\$ 2,670,577	\$ 2,646,812	\$ 2,563,976
Restricted for:					
Expendable					
OPEB	--	--	--	--	--
Pension Benefits	125,876	111,639	112,544	109,986	105,900
Capital Projects	164,400	10,836	6,154	8,661	11,904
Debt Service	33,409	36,380	37,734	37,639	31,965
Legally Segregated for Grants and Other Purposes	1,192,827	1,103,257	1,045,897	1,190,106	1,174,791
Regional Park Endowment	145	144	141	140	139
Nonexpendable					
Regional Park Endowment	196	193	188	185	183
Unrestricted	(3,074,958)	(2,979,945)	(2,991,814)	331,408	196,850
Total Governmental Activities Net Position	\$ 1,255,191	\$ 989,997	\$ 881,421	\$ 4,324,937	\$ 4,085,708
Business-Type Activities					
Net Investment in Capital Assets	\$ 708,286	\$ 663,280	\$ 642,427	\$ 624,621	\$ 587,934
Restricted for:					
Expendable					
Debt Service	36,181	8,499	7,324	7,090	58,772
Passenger Facility Charges					
Approved Capital Projects	2,775	14,705	70,538	62,522	55,331
Replacements and Renewals	1,000	1,000	1,000	1,000	1,000
Landfill Closure/Postclosure	28,962	33,997	33,337	37,412	40,355
Landfill Corrective Action	8,278	8,245	8,174	7,141	6,109
Wetland	879	879	879	879	879
Prima Deshecha/La Pata Closure	104	104	104	104	104
Airport ⁽¹⁾	--	--	--	--	--
Waste Management ⁽²⁾	--	--	--	--	--
Unrestricted	463,495	465,003	362,546	384,871	335,122
Total Business-Type Activities Net Position	\$ 1,249,960	\$ 1,195,712	\$ 1,126,329	\$ 1,125,640	\$ 1,085,606

	Fiscal Year				
	2011-12 ⁽³⁾	2010-11	2009-10	2008-09	2007-08
Governmental Activities					
Net Investment in Capital Assets	\$ 2,699,809	\$ 2,626,281	\$ 2,560,468	\$ 2,445,397	\$ 2,302,926
Restricted for:					
Expendable					
OPEB	--	41,609	43,580	57,322	46,442
Pension Benefits	96,604	107,807	--	--	--
Capital Projects	16,269	56,219	58,947	85,197	211,426
Debt Service	--	87,253	76,936	66,515	168,468
Legally Segregated for Grants and Other Purposes	1,077,117	1,133,256	1,069,801	1,047,284	990,198
Regional Park Endowment	--	--	--	--	--
Nonexpendable					
Regional Park Endowment	319	315	154	149	139
Unrestricted	37,790	(73,741)	(9,986)	(1,271)	57,812
Total Governmental Activities Net Position	\$ 3,927,908	\$ 3,978,999	\$ 3,799,900	\$ 3,700,593	\$ 3,777,411
Business-Type Activities					
Net Investment in Capital Assets	\$ 574,982	\$ 591,664	\$ 537,375	\$ 493,658	\$ 395,227
Restricted for:					
Expendable					
Debt Service	--	--	--	--	--
Passenger Facility Charges	--	--	--	--	--
Approved Capital Projects	--	--	--	--	--
Replacements and Renewals	--	--	--	--	--
Landfill Closure/Postclosure	--	--	--	--	--
Landfill Corrective Action	--	--	--	--	--
Wetland	--	--	--	--	--
Prima Deshecha/La Pata Closure	--	--	--	--	--
Airport	58,149	50,899	48,225	176,225	218,293
Waste Management	82,205	84,070	86,943	284,943	294,068
Unrestricted	350,474	313,568	321,778	--	--
Total Business-Type Activities Net Position	\$ 1,065,810	\$ 1,040,201	\$ 994,321	\$ 954,826	\$ 907,588

Notes: (1) In FY 2011-12, it was determined that the Restricted Net Position for Other Postemployment Benefits does not meet the definition of restriction and should be reported as unrestricted.
 (2) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.
 (3) The balances shown have not been restated to include the prior period adjustments.

**Net Position by Component
 Last Ten Fiscal Years
 (Accrual Basis of Accounting) (Continued)**

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14 ⁽³⁾	2012-13
Primary Government					
Net Investment in Capital Assets	\$ 3,521,582	\$ 3,370,773	\$ 3,313,004	\$ 3,271,433	\$ 3,151,910
Restricted for:					
Expendable					
OPEB	--	--	--	--	--
Pension Benefits	125,876	111,639	112,544	109,986	105,900
Capital Projects	164,400	10,836	6,154	8,661	11,904
Debt Service	69,590	44,879	45,058	44,729	90,737
Legally Segregated for Grants and Other Purposes	1,192,827	1,103,257	1,045,897	1,190,106	1,174,791
Regional Park Endowment	145	144	141	140	139
Passenger Facility Charges					
Approved Capital Projects	2,775	14,705	70,538	62,522	55,331
Replacements and Renewals	1,000	1,000	1,000	1,000	1,000
Landfill Closure/Postclosure	28,962	33,997	33,337	37,412	40,355
Landfill Corrective Action	8,278	8,245	8,174	7,141	6,109
Wetland	879	879	879	879	879
Prima Deshecha/La Pata Closure	104	104	104	104	104
Airport ⁽²⁾	--	--	--	--	--
Waste Management ⁽²⁾	--	--	--	--	--
Nonexpendable					
Regional Park Endowment	196	193	188	185	183
Unrestricted	(2,611,463)	(2,514,942)	(2,629,268)	716,279	531,972
Total Primary Government Net Position	\$ 2,505,151	\$ 2,185,709	\$ 2,007,750	\$ 5,450,577	\$ 5,171,314

	Fiscal Year				
	2011-12 ⁽³⁾	2010-11	2009-10	2008-09	2007-08
Primary Government					
Net Investment in Capital Assets	\$ 3,274,791	\$ 3,217,945	\$ 3,097,843	\$ 2,939,055	\$ 2,698,153
Restricted for:					
Expendable					
OPEB	-- ⁽¹⁾	41,609	43,580	57,322	46,442
Pension Benefits	96,604	107,807	--	--	--
Capital Projects	16,269	56,219	58,947	85,197	211,426
Debt Service	--	87,253	76,936	66,515	168,468
Legally Segregated for Grants and Other Purposes	1,077,117	1,133,256	1,069,801	1,047,284	990,198
Regional Park Endowment	--	--	--	--	--
Passenger Facility Charges					
Approved Capital Projects	--	--	--	--	--
Replacements and Renewals	--	--	--	--	--
Landfill Closure/Postclosure	--	--	--	--	--
Landfill Corrective Action	--	--	--	--	--
Wetland	--	--	--	--	--
Prima Deshecha/La Pata Closure	--	--	--	--	--
Airport	58,149	50,899	48,225	176,225	218,293
Waste Management	82,205	84,070	86,943	284,943	294,068
Nonexpendable					
Regional Park Endowment	319	315	154	149	139
Unrestricted	388,264	239,827	311,792	(1,271)	57,812
Total Primary Government Net Position	\$ 4,993,718	\$ 5,019,200	\$ 4,794,221	\$ 4,655,419	\$ 4,684,999

Notes: (1) In FY 2011-12, it was determined that the Restricted Net Position for Other Postemployment Benefits does not meet the definition of restriction and should be reported as unrestricted.
 (2) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.
 (3) The balances shown have not been restated to include the prior period adjustments.

**Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14 ⁽¹⁾	2012-13
Expenses					
Governmental Activities:					
General Government	\$ 186,340	\$ 203,394	\$ 191,793	\$ 131,026	\$ 221,110
Public Protection	1,485,137	1,433,421	1,326,028	1,261,984	1,264,354
Public Ways and Facilities	97,928	142,071	114,398	127,561	137,851
Health and Sanitation	593,617	554,872	537,580	626,063	621,981
Public Assistance	1,097,327	1,097,129	1,049,665	988,735	944,230
Education	44,510	46,170	43,314	41,240	38,548
Recreation and Cultural Services	112,749	115,136	102,069	96,820	101,232
Interest on Long-Term Debt	17,544	20,112	23,560	28,028	31,269
Subtotal Governmental Activities	3,635,152	3,612,305	3,388,407	3,301,457	3,359,775
Business-Type Activities:					
Airport	125,522	120,921	124,778	120,731	122,668
Waste Management	105,149	96,301	69,307	94,161	94,737
Compressed Natural Gas	367	283	331	379	305
Subtotal Business-Type Activities	231,038	217,505	194,416	215,271	217,610
Total Primary Government Expenses	\$ 3,866,190	\$ 3,829,810	\$ 3,582,823	\$ 3,516,728	\$ 3,577,385
Program Revenues					
Governmental Activities:					
Charges for Services					
General Government	\$ 41,988	\$ 34,048	\$ 36,924	\$ 32,016	\$ 32,127
Public Protection	307,630	288,185	286,644	273,215	283,031
Public Ways and Facilities	67,796	63,487	53,834	53,071	39,981
Health and Sanitation	117,170	85,392	102,699	93,470	81,039
Public Assistance	40,589	37,975	37,650	42,300	34,780
Education	1,274	1,426	1,480	2,059	1,327
Recreation and Cultural Services	47,763	46,937	43,882	39,251	39,637
Operating Grants and Contributions	2,067,777	2,037,311	1,996,861	2,033,550	1,904,858
Capital Grants and Contributions	113,481	105,776	33,241	54,478	62,893
Subtotal Governmental Activities Program Revenues	2,805,468	2,700,537	2,593,115	2,623,410	2,479,673
Business-Type Activities:					
Charges for Services					
Airport	150,260	149,894	141,563	136,359	132,941
Waste Management	153,842	147,130	139,493	125,106	106,876
Compressed Natural Gas	248	269	312	392	385
Operating Grants and Contributions	69	171	255	900	200
Capital Grants and Contributions	1,828	2,174	9,215	5,277	3,839
Subtotal Business-Type Activities Program Revenues	306,247	299,638	290,838	268,034	244,241
Total Primary Government Program Revenues	\$ 3,111,715	\$ 3,000,175	\$ 2,883,953	\$ 2,891,444	\$ 2,723,914

Notes: (1) The balances shown have not been restated to include prior period adjustments.

	Fiscal Year				
	2011-12 ⁽¹⁾	2010-11	2009-10	2008-09	2007-08
Expenses					
Governmental Activities:					
General Government	\$ 161,615	\$ 223,710	\$ 165,489	\$ 268,092	\$ 264,049
Public Protection	1,231,925	1,174,859	1,160,823	1,230,894	1,164,458
Public Ways and Facilities	144,382	136,017	120,135	108,748	131,563
Health and Sanitation	593,657	586,525	578,983	593,331	576,160
Public Assistance	930,348	931,263	931,469	898,668	862,709
Education	41,226	39,788	41,009		37,728
Recreation and Cultural Services	102,762	101,993	90,649	81,896	75,612
Interest on Long-Term Debt	56,765	53,806	53,782	59,751	76,210
Subtotal Governmental Activities	3,262,680	3,247,961	3,142,339	3,241,380	3,188,489
Business-Type Activities:					
Airport	107,120	88,059	92,068	91,959	86,750
Waste Management	94,553	93,985	84,754	79,374	101,990
Compressed Natural Gas	306	349	95	--	--
Subtotal Business-Type Activities	201,979	182,393	176,917	171,333	188,740
Total Primary Government Expenses	\$ 3,464,659	\$ 3,430,354	\$ 3,319,256	\$ 3,412,713	\$ 3,377,229
Program Revenues					
Governmental Activities:					
Charges for Services					
General Government	\$ 26,942	\$ 33,561	\$ 27,452	\$ 44,782	\$ 40,659
Public Protection	271,423	310,773	276,355	289,014	295,740
Public Ways and Facilities	62,653	53,960	45,809	47,283	45,898
Health and Sanitation	86,027	93,815	86,430	82,059	95,069
Public Assistance	35,036	36,304	30,914	26,636	6,360
Education	1,437	1,576	1,449	1,338	1,349
Recreation and Cultural Services	38,888	37,560	38,223	40,138	40,449
Operating Grants and Contributions	1,800,296	1,706,231	1,741,762	1,641,501	1,735,820
Capital Grants and Contributions	39,010	170,516	16,828	94,031	46,308
Subtotal Governmental Activities Program Revenues	2,361,712	2,444,296	2,267,222	2,266,782	2,307,652
Business-Type Activities:					
Charges for Services					
Airport	129,213	124,298	126,656	125,095	126,139
Waste Management	99,249	102,595	82,442	93,456	99,548
Compressed Natural Gas	293	242	129	--	--
Operating Grants and Contributions	69	171	255	900	200
Capital Grants and Contributions	1,828	2,174	9,215	5,277	3,839
Subtotal Business-Type Activities Program Revenues	306,247	299,638	290,838	268,034	244,241
Total Primary Government Program Revenues	\$ 2,595,895	\$ 2,678,632	\$ 2,485,958	\$ 2,492,970	\$ 2,549,096

**Changes in Net Position
 Last Ten Fiscal Years
 (Accrual Basis of Accounting) (Continued)**

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14 ⁽³⁾	2012-13 ⁽³⁾
Net (Expense)/Revenue					
Governmental Activities	\$ (829,684)	\$ (911,768)	\$ (795,292)	\$ (678,047)	\$ (880,102)
Business-Type Activities	75,209	82,133	96,422	52,763	26,631
Total Primary Government (Expense)	\$ (754,475)	\$ (829,635)	\$ (698,870)	\$ (625,284)	\$ (853,471)
General Revenue and Other					
Changes in Net Position					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	\$ 287,212	\$ 311,902	\$ 328,500	\$ 277,591	\$ 313,299
Property Taxes, Levied for					
Flood Control District	98,563	82,193	77,090	72,737	69,321
Property Taxes, Levied for OC Parks	76,493	61,048	57,266	54,042	51,550
Property Taxes, Levied for					
OC Public Libraries	47,804	45,364	42,333	39,734	37,961
Property Tax Increments ⁽²⁾	--	--	--	--	--
Property Taxes in-Lieu of					
Motor Vehicle License Fees	351,011	333,595	314,957	295,798	309,745
Other Taxes	98,216	78,184	71,613	73,178	108,430
Grants and Contributions Not Restricted					
to Specific Programs	8,434	4,583	49,476	14,192	6,711
State Allocation of Motor					
Vehicle License Fees	1,234	1,100	764	895	1,659
Unrestricted Investment Earnings	19,760	17,032	6,796	18,459	11,559
Miscellaneous	80,229	63,825	69,789	54,412	48,478
Gain on Sale of Capital Assets	--	--	--	--	--
Transfers	25,922	21,518	19,959	17,557	10,276
Subtotal Governmental Activities	1,094,878	1,020,344	1,038,543	918,595	968,989
Extraordinary Gain/(Loss)					
Dissolution of OCDA ⁽¹⁾	--	--	--	--	1,800
Business-Type Activities:					
Other Taxes	78	72	109	101	93
Unrestricted Investment Earnings	3,497	6,526	3,042	3,064	2,113
Miscellaneous Revenues	1,386	2,170	1,597	3,177	1,235
Special Items	--	--	--	--	--
Transfers	(25,922)	(21,518)	(19,959)	(17,557)	(10,276)
Subtotal Business-Type Activities	(20,961)	(12,750)	(15,211)	(11,215)	(6,835)
Total Primary Government General Revenue and Other Charges	1,073,917	\$ 1,007,594	\$ 1,023,332	\$ 907,380	\$ 963,954
Change in Net Position					
Governmental Activities	\$ 265,194	\$ 108,576	\$ 243,251	\$ 240,548	\$ 90,687
Business-Type Activities	54,248	69,383	81,211	41,548	19,796
Total Primary Government	\$ 319,442	\$ 177,959	\$ 324,462	\$ 282,096	\$ 110,483

Notes: (1) Extraordinary item results from dissolution of OCDA which is now reported as a private-purpose trust fund.
 (2) Starting in FY 2012-13, there were no property tax increment revenues due to dissolution of OCDA.
 (3) The balances shown have not been restated to include prior period adjustments.

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Net (Expense)/Revenue					
Governmental Activities	\$ (900,968)	\$ (803,665)	\$ (875,117)	\$ (1,015,863)	\$ (880,837)
Business-Type Activities	32,204	51,943	41,819	54,855	52,704
Total Primary Government (Expense)	\$ (868,764)	\$ (751,722)	\$ (833,298)	\$ (961,008)	\$ (828,133)
General Revenue and Other					
Changes in Net Position					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	\$ 311,779	\$ 298,953	\$ 290,054	\$ 263,893	\$ 273,259
Property Taxes, Levied for					
Flood Control District	68,184	73,260	67,103	68,747	68,042
Property Taxes, Levied for OC Parks	51,168	51,554	49,857	51,076	50,551
Property Taxes, Levied for					
OC Public Libraries	37,389	37,590	37,057	37,932	37,454
Property Tax Increments	18,308	30,755	31,917	35,276	32,376
Property Taxes in-Lieu of					
Motor Vehicle License Fees	303,955	228,421	229,635	232,760	224,210
Other Taxes	43,568	83,938	93,024	94,184	84,434
Grants and Contributions Not Restricted					
to Specific Programs	9,377	27,457	10,299	27,637	23,434
State Allocation of Motor					
Vehicle License Fees	2,667	49,889	46,697	50,390	54,656
Unrestricted Investment Earnings	4,195	23,703	15,541	13,583	27,773
Miscellaneous	57,125	64,563	54,496	49,438	66,887
Gain on Sale of Capital Assets	34	--	--	--	--
Transfers	11,767	12,681	11,188	14,129	16,802
Subtotal Governmental Activities	919,516	982,764	936,868	939,045	959,878
Extraordinary Gain/(Loss)					
Dissolution of OCDA	(69,639)	--	--	--	--
Business-Type Activities:					
Other Taxes	134	--	--	--	--
Unrestricted Investment Earnings	3,530	5,509	6,411	17,332	29,206
Miscellaneous Revenues	1,508	1,109	2,453	786	2,886
Special Items	--	--	--	--	(6,835)
Transfers	(11,767)	(12,681)	(11,188)	(14,129)	(16,802)
Subtotal Business-Type Activities	(6,595)	(6,063)	(2,324)	3,989	8,455
Total Primary Government General Revenue and Other Charges	\$ 843,282	\$ 976,701	\$ 934,544	\$ 943,034	\$ 968,333
Change in Net Position					
Governmental Activities	\$ (51,091)	\$ 179,099	\$ 61,751	\$ (76,818)	\$ 79,041
Business-Type Activities	25,609	45,880	39,495	58,844	61,159
Total Primary Government	\$ (25,482)	\$ 224,979	\$ 101,246	\$ (17,974)	\$ 140,200

Net (Expense)/Revenue
 Governmental Activities
 Business-Type Activities
Total Primary Government (Expense)

General Revenue and Other
Changes in Net Position
 Governmental Activities:
 Taxes
 Property Taxes, Levied for General Fund
 Property Taxes, Levied for
 Flood Control District
 Property Taxes, Levied for OC Parks
 Property Taxes, Levied for
 OC Public Libraries
 Property Tax Increments
 Property Taxes in-Lieu of
 Motor Vehicle License Fees
 Other Taxes
 Grants and Contributions Not Restricted
 to Specific Programs
 State Allocation of Motor
 Vehicle License Fees
 Unrestricted Investment Earnings
 Miscellaneous
 Gain on Sale of Capital Assets
 Transfers
Subtotal Governmental Activities
 Extraordinary Gain/(Loss)
 Dissolution of OCDA

Business-Type Activities:
 Other Taxes
 Unrestricted Investment Earnings
 Miscellaneous Revenues
 Special Items
 Transfers
Subtotal Business-Type Activities
Total Primary Government General Revenue and Other Charges

Change in Net Position
 Governmental Activities
 Business-Type Activities
Total Primary Government

**Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)**

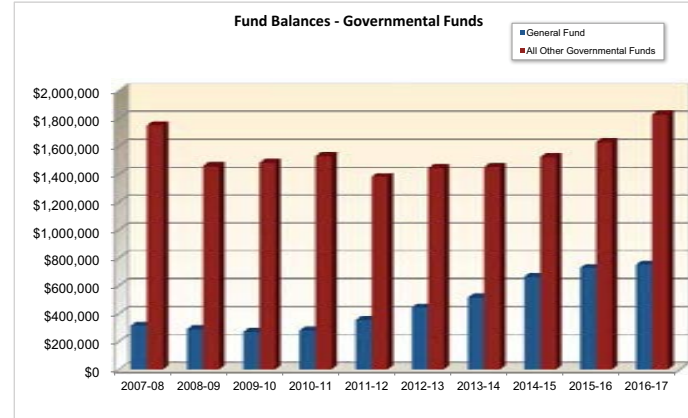
	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13 ⁽²⁾
General Fund					
Reserved	\$ --	\$ --	\$ --	\$ --	\$ --
Unreserved	--	--	--	--	--
Nonspendable ⁽¹⁾	372,572	331,889	336,606	321,022	263,446
Restricted ⁽¹⁾	39,581	49,230	31,486	42,028	34,679
Assigned ⁽¹⁾	265,293	321,064	269,529	153,336	68,157
Unassigned ⁽¹⁾	73,446	25,655	26,887	--	78,264
Total General Fund	\$ 750,892	\$ 727,838	\$ 664,508	\$ 516,386	\$ 444,546
All Other Governmental Funds					
Reserved	\$ --	\$ --	\$ --	\$ --	\$ --
Unreserved, Reported in:					
Special Revenue Funds	--	--	--	--	--
Debt Service Funds	--	--	--	--	--
Capital Projects Funds	--	--	--	--	--
Permanent Fund	--	--	--	--	--
Nonspendable ⁽¹⁾	21,697	20,501	21,296	21,207	18,929
Restricted ⁽¹⁾	1,635,408	1,479,405	1,417,122	1,362,102	1,357,556
Assigned ⁽¹⁾	170,472	129,782	83,765	67,929	65,556
Unassigned ⁽¹⁾	--	--	--	--	--
Total All Other Governmental Funds	\$ 1,827,577	\$ 1,629,688	\$ 1,522,183	\$ 1,451,238	\$ 1,442,041

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
General Fund					
Reserved	\$ --	\$ --	\$ 53,190	\$ 49,423	\$ 99,877
Unreserved	--	--	215,094	238,621	215,096
Nonspendable ⁽¹⁾	225,460	266,328	--	--	--
Restricted ⁽¹⁾	26,336	10,872	--	--	--
Assigned ⁽¹⁾	100,448	1,394	--	--	--
Unassigned	990	--	--	--	--
Total General Fund	\$ 353,234	\$ 278,594	\$ 268,284	\$ 288,044	\$ 314,973
All Other Governmental Funds					
Reserved	\$ --	\$ --	\$ 540,745	\$ 517,375	\$ 671,739
Unreserved, Reported in:					
Special Revenue Funds	--	--	894,148	878,113	880,288
Debt Service Funds	--	--	(1,813)	(9,903)	--
Capital Projects Funds	--	--	47,362	73,045	198,348
Permanent Fund	--	--	154	149	139
Nonspendable ⁽¹⁾	23,057	20,802	--	--	--
Restricted ⁽¹⁾	1,318,071	1,482,755	--	--	--
Assigned ⁽¹⁾	43,900	34,173	--	--	--
Unassigned ⁽¹⁾	(3,016)	(8,074)	--	--	--
Total All Other Governmental Funds	\$ 1,382,012	\$ 1,529,656	\$ 1,480,596	\$ 1,458,779	\$ 1,750,514

General Fund
 Reserved
 Unreserved
 Nonspendable ⁽¹⁾
 Restricted ⁽¹⁾
 Assigned ⁽¹⁾
 Unassigned

All Other Governmental Funds
 Reserved
 Unreserved, Reported in:
 Special Revenue Funds
 Debt Service Funds
 Capital Projects Funds
 Permanent Fund
 Nonspendable ⁽¹⁾
 Restricted ⁽¹⁾
 Assigned ⁽¹⁾
 Unassigned ⁽¹⁾

B-120



Note: (1) In accordance with GASB Statement No. 54, which was implemented in FY 2010-11, the classification of fund balance was redefined.
 (2) The balances shown have not been restated to include prior period adjustments.

**Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Basis of Accounting)**

	2016-17	2015-16	2014-15	2013-14	2012-13
Revenues					
Taxes	\$ 923,561	\$ 876,808	\$ 822,511	\$ 778,936	\$ 854,587
Licenses, Permits, and Franchises	28,209	27,659	24,583	24,920	15,213
Fines, Forfeitures, and Penalties	96,950	61,669	108,115	62,081	79,267
Use of Money and Property	68,498	88,211	73,700	63,611	58,441
Intergovernmental	2,172,013	2,125,136	2,064,354	2,070,245	1,940,687
Charges for Services	530,883	466,659	480,023	470,899	439,224
Other	63,949	69,436	71,207	54,406	77,464
Total Revenues	3,884,063	3,715,578	3,644,493	3,525,098	3,464,883
Expenditures					
General Government	267,663	261,387	212,805	172,195	186,145
Public Protection	1,401,694	1,289,902	1,230,878	1,194,069	1,157,676
Public Ways and Facilities	97,169	123,140	102,732	127,506	112,294
Health and Sanitation	578,772	527,482	515,560	621,891	611,369
Public Assistance	1,073,964	1,061,647	1,030,404	972,156	932,414
Education	42,564	43,928	41,949	40,008	37,239
Recreation and Cultural Services	106,356	100,381	98,001	98,388	94,051
Capital Outlay	176,308	116,569	102,863	125,781	122,639
Debt Service					
Principal Retirement	100,119	126,319	104,756	111,486	72,499
Interest	47,089	43,039	31,513	35,107	43,777
Debt Issuance Costs	--	--	--	200	--
Total Expenditures	3,891,698	3,693,794	3,471,461	3,498,787	3,370,103
Excess (Deficit) of Revenues Over Expenditures	(7,635)	21,784	173,032	26,311	94,780
Other Financing Sources (Uses)					
Transfers In	653,593	396,952	338,055	294,374	274,363
Transfers Out	(631,891)	(387,373)	(323,604)	(279,287)	(268,110)
Debt Issued	31,536	127,494	31,541	39,639	78,419
Premium on Debt Issued	--	11,724	--	--	--
Principal Payment on Demand Bonds	--	--	--	--	--
Refunding Bonds Issued	--	--	--	--	--
Payment to Refunded Bond Escrow for Resale	--	--	--	--	--
Capital Leases	--	254	43	--	--
Loan Proceeds	175,340	--	--	--	--
Total Other Financing Sources	228,578	149,051	46,035	54,726	84,672
Extraordinary Gain/(Loss)	--	--	--	--	1,800
Net Change in Fund Balances	\$ 220,943	\$ 170,835	\$ 219,067	\$ 81,037	\$ 181,252
Debt Service as a Percentage of Noncapital Expenditures:	3.97%	4.73%	4.04%	4.34%	3.60%

Notes: (1) The balances shown have not been restated to include prior period adjustments.

Fiscal Year					
2011-12 ⁽¹⁾	2010-11	2009-10	2008-09	2007-08	
\$ 784,797	\$ 738,109	\$ 741,850	\$ 727,159	\$ 719,742	
18,046	16,831	14,976	17,965	20,516	
80,180	93,461	102,959	112,882	89,700	
81,088	89,514	88,350	69,667	146,983	
1,846,311	1,745,066	1,769,253	1,697,017	1,743,637	
435,920	478,916	418,373	443,456	423,611	
66,920	64,125	65,727	89,064	91,197	
3,313,262	3,226,022	3,201,488	3,157,210	3,235,386	
Revenues					
Taxes	170,156	207,193	211,434	277,369	252,781
Licenses, Permits, and Franchises	1,125,831	1,068,267	1,054,947	1,117,882	1,103,442
Fines, Forfeitures, and Penalties	126,809	110,789	106,985	110,548	117,963
Use of Money and Property	580,791	576,793	559,315	576,964	564,335
Intergovernmental	909,296	911,704	903,733	878,436	851,836
Charges for Services	37,621	37,671	38,921	39,666	37,091
Other	91,753	84,506	82,826	79,889	70,084
Total Revenues	105,207	84,311	124,077	155,286	143,468
Expenditures					
General Government	95,429	87,685	88,962	205,268	301,066
Public Protection	46,152	40,634	39,565	46,697	53,478
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	--	--	--
Public Assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	--	--	--	--
Debt Service	--	--	--	--	--
Principal Retirement	--	--	--	--	--
Interest	--	--	--	--	--
Debt Issuance Costs	--	--	--	--	--
Total Expenditures	3,289,045	3,209,563	3,210,765	3,488,005	3,495,544
Excess (Deficit) of Revenues Over Expenditures	24,217	16,469	(9,277)	(330,795)	(260,158)
Other Financing Sources (Uses)					
Transfers In	345,692	395,752	382,154	793,528	359,791
Transfers Out	(336,157)	(388,274)	(370,820)	(781,397)	(345,674)
Debt Issued	10,000	36,000	--	--	--
Premium on Debt Issued	2,927	--	--	--	--
Principal Payment on Demand Bonds	--	--	--	--	211,065
Refunding Bonds Issued	34,380	--	--	--	--
Payment to Refunded Bond Escrow for Resale	(40,491)	(710)	--	--	--
Capital Leases	43	--	--	--	--
Loan Proceeds	--	133	--	--	2,400
Total Other Financing Sources	16,394	42,901	11,334	12,131	227,582
Extraordinary Gain/(Loss)	(113,615)	--	--	--	--
Net Change in Fund Balances	\$ (73,004)	\$ 59,370	\$ 2,057	\$ (318,664)	\$ (32,576)
Debt Service as a Percentage of Noncapital Expenditures:	4.44%	4.12%	4.18%	7.54%	10.43%

Assessed Value of Taxable Property ⁽¹⁾
Last Ten Fiscal Years

Fiscal Year	Residential Property	Industrial/ Commercial Property	Other Property ⁽²⁾	Unsecured Roll Gross Total ⁽³⁾	Total Taxable Assessed Value	Less: Exempt & Non-Reimbursed Exemptions	Net Taxable Assessed Value	Total Direct Tax Rate Percent ⁽¹⁾
2016-17	\$ 400,931,553	\$ 114,636,194	\$ 2,787,769	\$ 20,582,609	\$ 538,938,125	\$ (12,807,570)	\$ 526,130,555	1.00
2015-16	377,592,570	110,440,476	3,294,159	20,394,462	511,721,667	(12,722,344)	498,999,323	1.00
2014-15	352,800,864	105,523,254	3,694,094	20,902,660	482,920,872	(11,661,965)	471,258,907	1.00
2013-14	328,138,473	102,580,010	3,792,261	19,281,087	453,791,831	(10,943,554)	442,848,277	1.00
2012-13	315,635,908	100,074,695	3,489,057	19,905,480	439,105,140	(10,634,193)	428,470,947	1.00
2011-12	310,211,002	96,431,670	2,848,162	20,634,672	430,125,506	(9,729,486)	420,396,020	1.00
2010-11	304,895,403	97,097,750	3,038,747	21,198,638	426,230,538	(9,452,472)	416,778,066	1.00
2009-10	302,855,181	100,686,715	2,814,952	21,516,171	427,873,019	(9,063,739)	418,809,280	1.00
2008-09	310,398,180	97,515,067	3,125,331	21,026,522	432,065,100	(8,051,290)	424,013,810	1.00
2007-08	302,853,813	89,547,612	2,772,022	20,318,430	415,491,877	(6,757,810)	408,734,067	1.00

Notes: (1) Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. The full cash value can be increased to reflect the annual inflation up to 2 percent, the current market value at time of ownership change and the market value for new construction. Estimated actual value of taxable property cannot easily be determined as the property in the County is not reassessed annually. Reassessment normally occurs when ownership changes.
 (2) Other property includes: timeshares, rural/agricultural land, unique miscellaneous, mineral rights, water rights and personal property and fixtures.
 (3) Unsecured roll includes properties for which taxes assessed are not a lien on real property and are not sufficient, in the opinion of the Assessor, to secure payment of taxes. It consists of improvements, business personal property, boats and aircrafts, and it can also include land and improvements that are identified as real estate of others, as defined by the Assessor (reference Revenue and Taxation Code Section 134).

Source: Orange County Assessor Department

COUNTY OF ORANGE
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$1,000 of Assessed Value) ⁽¹⁾

Fiscal Year	Direct Rate ⁽¹⁾	Overlapping Rates ⁽²⁾				Total Direct & Overlapping Rates
	County General	School Districts	Local Special Districts	Cities	Public Utility	
2016-17	1.00000	0.04840	0.01316	0.00659	0.00270	1.07085
2015-16	1.00000	0.05101	0.01455	0.00670	0.00227	1.07453
2014-15	1.00000	0.04579	0.04438	0.00681	-- ⁽³⁾	1.09698



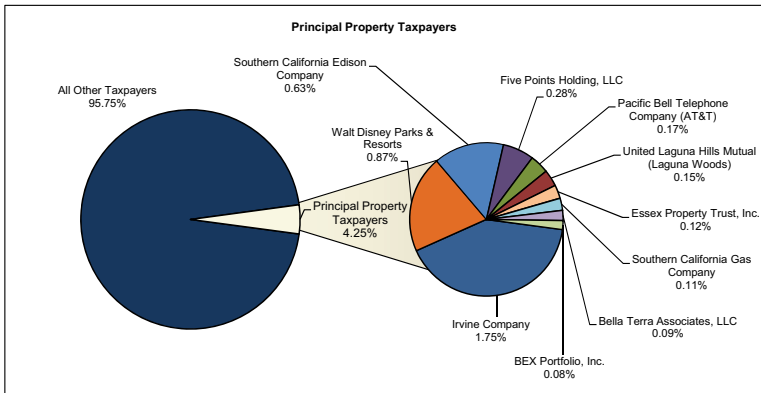
Notes:

- (1) Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. The full cash value can be increased to reflect the annual inflation up to 2 percent, the current market value at time of ownership change and the market value for new construction. Estimated actual value of taxable property cannot easily be determined as the property in the County is not reassessed annually. Reassessment normally occurs when ownership changes.
- (2) These overlapping rates are in addition to the County General rate, but only apply to taxpayers within the borders of the school districts, local special districts, cities, and public utilities that lie within the County.
- (3) No rate was available for Public Utility in FY 2014-15.
- (4) The schedule is presented to show information for 10 years. However, a full 10-year trend is not currently available; the County will be adding years in the future.

Source: Auditor-Controller, County of Orange

**Principal Property Taxpayers
 Current Year and Nine Years Ago**

Taxpayer	2017			2008		
	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied
Irvine Company	\$ 106,206	1	1.75%	\$ 55,806	1	1.12%
Walt Disney Parks & Resorts US	52,961	2	0.87%	39,452	2 & 8	0.80%
Southern California Edison Company	38,592	3	0.63%	19,195	4	0.39%
Five Points Holding, LLC	17,221	4	0.28%			
Pacific Bell Telephone Company (AT&T)	10,181	5	0.17%	7,389	9	0.15%
United Laguna Hills Mutual (Laguna Woods)	9,145	6	0.15%	7,895	7	0.16%
Essex Property Trust, Inc.	7,305	7	0.12%			
Southern California Gas Company	6,777	8	0.11%			
Bella Terra Associates, LLC	5,740	9	0.09%			
BEX Portfolio, Inc.	4,999	10	0.08%			
Irvine Apartment Communities				22,146	3	0.45%
Irvine Community Development				9,869	5	0.20%
Heritage Fields El Toro LLC				8,586	6	0.17%
Irvine Co. of W VA				5,844	10	0.12%
Total	\$ 259,127		4.25%	\$ 176,182		3.56%

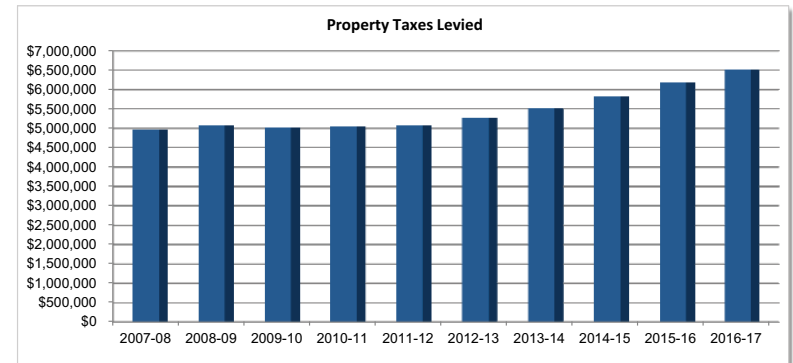


Note: The base used for the Percentage of Total Taxes Levied for 2017 includes total secured taxes of \$6,082,465.

Source: Treasurer-Tax Collector, County of Orange

**Property Tax Levies and Collections
 Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year ⁽¹⁾	Collections Within the Fiscal Year of the Levy ⁽²⁾		Collections of Delinquent Taxes from Prior Years ⁽⁴⁾	Total Collections for the Fiscal Year ⁽³⁾	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016-17	\$ 6,511,944	\$ 6,446,780	99.00%	\$ --	\$ 6,446,780	99.00%
2015-16	6,183,862	6,119,771	98.96%	38,105	6,157,876	99.58%
2014-15	5,828,106	5,759,699	98.83%	49,442	5,809,141	99.67%
2013-14	5,509,379	5,444,912	98.83%	48,522	5,493,434	99.71%
2012-13	5,265,844	5,194,193	98.64%	55,393	5,249,586	99.69%
2011-12	5,079,589	5,002,490	98.48%	81,634	5,084,124	100.09%
2010-11	5,045,802	4,960,748	98.31%	33,682	4,994,430	98.98%
2009-10	5,019,061	4,904,188	97.71%	20,909	4,925,097	98.13%
2008-09	5,076,796	4,901,574	96.55%	15,648	4,917,222	96.86%
2007-08	4,965,990	4,784,438	96.34%	6,919	4,791,357	96.48%



Notes: (1) Total tax levy includes secured, supplemental, unsecured and former redevelopment agency increment, including penalties.
 (2) Total tax collections include penalties.
 (3) Total collections include collections of current year taxes and collections related to prior year levies. The percentage of levy represents the ratio of total collections to the taxes levied for that fiscal year.
 (4) No amounts are shown because the property taxes levied will be collected in the following year.

Source: Auditor-Controller, County of Orange

**Ratios of Outstanding Debt ⁽¹⁾ by Type
 Last Ten Fiscal Years (in Thousands Except Per Capita)
 (Accrual Basis of Accounting)**

Fiscal Year	Governmental Activities							
	Refunding Recovery Bonds ⁽⁶⁾	Redevelopment Bonds ⁽²⁾	Certificates of Participation ⁽⁵⁾	Pension Obligation Bonds ⁽⁵⁾	Teeter Plan Revenue Bonds	Teeter Plan Notes	SARI Line Loans	Civic Center Facilities Master Plan Financing
2016-17	\$ --	\$ --	\$ 811	\$ 11,220	\$ --	\$ 27,868	\$ 23,900	\$ 175,340
2015-16	--	--	1,262	19,140	--	30,191	28,022	--
2014-15	--	--	1,744	27,227	--	33,823	36,277	--
2013-14	19,172	--	2,262	32,193	--	39,830	47,410	--
2012-13	35,317	--	2,822	37,925	--	43,486	59,892	--
2011-12	51,600	--	3,422	47,523	--	--	40,328	--
2010-11	67,028	47,009	4,064	54,680	--	--	33,999	--
2009-10	81,619	49,729	4,758	59,331	--	--	--	--
2008-09	95,206	52,306	5,502	69,711	--	--	--	--
2007-08	108,175	54,750	6,306	72,728	123,725	--	--	--

Lease Revenue Bonds ^{(6),(7)}	Capital Lease Obligations ⁽³⁾	Interest Accretion on CAB	Airport Revenue Bonds ⁽⁷⁾	Waste Management System Revenue Bonds	Total Primary Government	Percentage of Personal Income ⁽⁴⁾	Per Capita ⁽⁴⁾
\$ 88,352	\$ 55,831	\$ 46,641	\$ 187,318	\$ --	\$ 617,281	0.31%	\$ 193
141,145	67,928	73,926	195,127	--	556,741	0.29%	175
105,880	79,168	96,303	202,536	--	582,958	0.31%	185
137,115	62,446	103,377	209,804	--	653,609	0.34%	210
155,828	67,353	110,084	240,540	7,018	760,265	0.41%	247
181,097	71,755	--	248,900	13,666	658,291	0.40%	215
249,924	76,074	--	256,683	19,921	809,382	0.51%	269
309,517	80,114	--	264,099	25,738	874,905	0.57%	276
365,850	84,952	--	33,502	31,144	738,173	0.50%	235
420,668	90,769	--	89,897	36,177	1,003,195	0.65%	321

Notes: (1) Details regarding the County's outstanding debt can be found in Note 10, Long-Term Obligations.
 (2) Redevelopment Bonds are no longer County debt due to the dissolution of Redevelopment Agency on February 1, 2012. Details regarding the Redevelopment Bonds can be found in Note 11, Conduit Debt Obligations and Successor Agency Debt.
 (3) Capital lease obligations arise from lease agreements which are in-substance like purchases. The agreements convey property rights to the lessee and the lessee assumes substantially all the risks and benefits of ownership.
 (4) See demographic and economic statistics schedule for personal income and population data. For years prior to FY 2012-13, the personal income ratio and the debt per capita amounts were calculated using personal income and population from the prior fiscal year.
 (5) Beginning FY 2012-13, outstanding debt does not include Interest Accretion on capital appreciation bonds (CAB), this was separated and numbers were restated.
 (6) Beginning FY 2013-14, outstanding debt does not include deferred amount on refunding due to implementation of GASB Statement No. 65. Prior years have not been restated.
 (7) Lease Revenue bonds and Airport Revenue bonds include unamortized premiums and discounts.

Source: Auditor-Controller, County of Orange

**Ratios of Net General Bonded Debt ⁽¹⁾ Outstanding
 Last Ten Fiscal Years (in Thousands Except Per Capita)
 (Accrual Basis of Accounting)**

General Debt Outstanding						
Fiscal Year	Refunding Recovery Bonds	Pension Obligation Bonds ⁽³⁾	Restricted for Debt Payments ⁽³⁾	Total (Excess)/ Under	Percentage of Assessed Value	Per Capita ⁽²⁾
2016-17	\$ --	\$ 53,985	\$ 53,985	\$ --	0.00%	\$ --
2015-16	--	87,521	87,521	--	0.00%	--
2014-15	--	116,494	116,494	--	0.00%	--
2013-14	19,172	127,206	127,206	19,172	0.00%	6
2012-13	35,317	138,484	138,484	35,317	0.01%	11
2011-12	51,600	47,523	47,523	51,600	0.01%	17
2010-11	67,028	54,680	54,680	67,028	0.02%	22
2009-10	81,619	59,331	59,331	81,619	0.02%	26
2008-09	95,206	69,711	69,711	95,206	0.02%	30
2007-08	108,175	72,728	72,728	108,175	0.03%	35

**Legal Debt Margin as a Percentage of Debt Limit
 Last Ten Fiscal Years**

Fiscal Year	Assessed Value ⁽¹⁾	Legal Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit ⁽²⁾
2016-17	\$ 531,052,158	\$ 6,638,152	\$ --	\$ 6,638,152	0%
2015-16	504,650,360	6,308,130	--	6,308,130	0%
2014-15	476,303,290	5,953,791	--	5,953,791	0%
2013-14	447,749,156	5,596,864	--	5,596,864	0%
2012-13	432,902,274	5,411,278	--	5,411,278	0%
2011-12	424,769,642	5,309,621	--	5,309,621	0%
2010-11	420,751,575	5,259,395	--	5,259,395	0%
2009-10	422,965,596	5,287,070	--	5,287,070	0%
2008-09	428,809,224	5,360,115	--	5,360,115	0%
2007-08	412,669,779	5,158,372	--	5,158,372	0%



Note:

- (1) Starting from FY 2007-08, Assessed Value includes the State assessed properties.
- (2) The amount of the general obligation bonded indebtedness the County can incur is limited by law to 1.25 percent of the equalized assessment property tax roll. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIII A, section 1 requires the approval of 2/3 of the voting on the proposition.

Source: Auditor-Controller, County of Orange

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- Notes: (1) Details regarding the County's outstanding debt can be found in Note 10, Long-Term Obligations.
- (2) See demographic and economic statistics schedule for population data. For years prior to FY 2012-13, the debt per capita amount was calculated using the population for the prior fiscal year.
- (3) Beginning in FY 2012-13, outstanding debt includes accreted interest on capital appreciation bonds.

Source: Auditor Controller, County of Orange

**Pledged Revenue Coverage⁽¹⁾
 Last Ten Fiscal Years**

South Orange County Public Financing Authority							Orange County Public Facilities Corporation Bonds						
Funding Source: Interest Earnings, Rents and Concessions, and Transfers							Funding Source: Interest Earnings and Transfers						
Debt Service							Debt Service						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2016-17	\$ 10,465	\$ --	\$ 10,465	\$ 7,335	\$ 2,974	1.02	2016-17	\$ 2,405	\$ 8	\$ 2,397	\$ 451	\$ 2,157	0.92
2015-16	5,828	271	5,557	4,920	906	0.95	2015-16	2,470	--	2,470	482	2,121	0.95
2014-15	5,830	--	5,830	4,780	1,049	1.00	2014-15	2,475	--	2,475	518	2,090	0.95
2013-14	5,825	--	5,825	4,680	1,143	1.00	2013-14	2,459	--	2,459	560	2,045	0.94
2012-13	5,841	--	5,841	4,520	1,307	1.00	2012-13	2,403	44	2,359	600	2,005	0.91
2011-12	--	262	(262)	--	--	--	2011-12	2,770	--	2,770	642	1,958	1.07
2010-11	--	--	--	--	--	--	2010-11	2,525	--	2,525	694	1,906	0.97
2009-10	--	--	--	--	--	--	2009-10	2,743	--	2,743	744	1,861	1.05
2008-09	--	--	--	--	--	--	2008-09	2,700	--	2,700	804	1,801	1.04
2007-08	--	--	--	--	--	--	2007-08	2,789	--	2,789	859	1,741	1.07

Orange County Public Financing Authority							Teeter Plan Notes						
Funding Source: Interest Earnings, Rents and Concessions, and Transfers							Funding Source: Delinquent Property Taxes Collected						
Debt Service							Debt Service						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Fiscal Year (2)	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2016-17	\$ 10,189	--	\$ 10,189	\$ 41,235	\$ 1,587	0.24	2016-17	\$ 26,232	\$ 154	\$ 26,078	\$ 33,859	\$ 600	0.76
2015-16	44,418	--	44,418	25,420	3,235	1.55	2015-16	316	210	106	74,561	347	0.00
2014-15	29,928	--	29,928	24,235	4,455	1.04	2014-15	174	2,954	(2,780) (3)	37,548	352	(0.07)
2013-14	29,949	--	29,949	23,115	5,605	1.04	2013-14	11,147	251	10,896	43,295	413	0.25
2012-13	29,952	--	29,952	22,160	6,638	1.04	2012-13	15,706	1,032	14,674	14,449	327	0.99
2011-12	35,697	--	35,697	61,630	10,837	0.49	2011-12	--	--	--	--	--	--
2010-11	74,725	--	74,725	58,990	13,643	1.03	2010-11	--	--	--	--	--	--
2009-10	74,838	--	74,838	56,580	16,151	1.03	2009-10	--	--	--	--	--	--
2008-09	77,027	--	77,027	56,225	18,385	1.03	2008-09	--	--	--	--	--	--
2007-08	77,308	--	77,308	51,680	20,283	1.07	2007-08	--	--	--	--	--	--

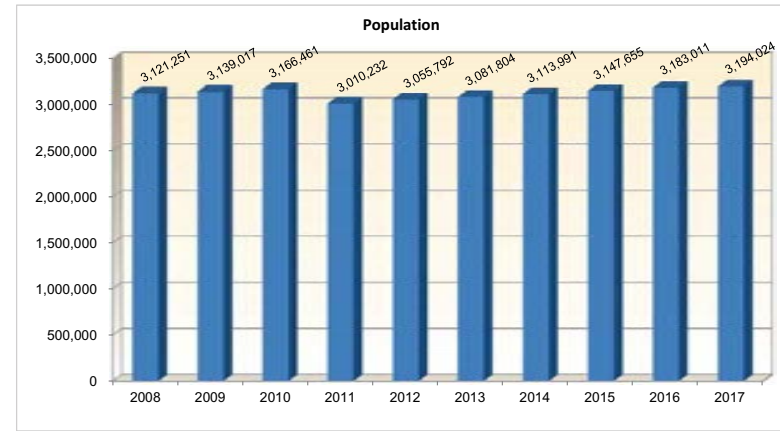
Airport Revenue Bonds						
Funding Source: Rents and Concessions, Other Charges for Services, Misc Revenue, Interest Earnings, and Available Passenger Facility Charge Revenue						
Debt Service						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2016-17	\$ 143,707	\$ 89,055	\$ 54,652	\$ 7,530	\$ 9,999	3.12
2015-16	143,661	82,833	60,828	7,205	10,338	3.47
2014-15	135,491	82,558	52,933	6,995	10,603	3.01
2013-14	131,285	84,708	46,577	30,473	11,395	1.11
2012-13	126,966	79,739	47,227	9,250	12,250	2.20
2011-12	124,403	77,628	46,775	7,851	12,592	2.29
2010-11	120,088	70,521	49,567	7,460	12,906	2.43
2009-10	121,761	68,771	52,990	2,865	7,163	5.28
2008-09	115,026	67,749	47,277	13,480	4,567	2.62
2007-08	118,105	63,174	54,931	12,765	5,280	3.04

Notes: (1) Details regarding the County's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.
 (2) Teeter Plan Notes were converted from short-term commercial paper to long-term note in FY 2012-13, therefore, only long-term note information is presented.
 (3) For FY 2014-15, there is a deficit balance for Net Available Revenue due to the change in Teeter Plan Reserve methodology.

Source: Auditor-Controller, County of Orange

**Demographic and Economic Statistics
 Last Ten Calendar Years**

Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Personal Income (Absolute Dollars) ⁽²⁾	Median Age ⁽³⁾	Public School Enrollment (In Thousands) ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2017	3,194,024	\$ 199,492,000	\$ 62,458	N/A	490,430	4.2%
2016	3,183,011	190,978,000	59,999	37.1	493,030	4.4%
2015	3,147,655	185,500,000	58,933	36.7	497,116	4.0%
2014	3,113,991	177,412,900	56,973	36.4	500,487	5.4%
2013	3,081,804	168,966,400	54,827	36.2	501,801	6.7%
2012	3,055,792	166,345,500	54,436	36.7	502,195	8.1%
2011	3,010,232	159,007,100	52,822	37.3	502,895	8.6%
2010	3,166,461	153,098,600	48,350	37.2	502,239	9.6%
2009	3,139,017	148,372,600	47,267	36.9	504,136	9.6%
2008	3,121,251	155,068,400	49,681	36.1	503,225	5.7%



N/A means Not Available

Sources:

- (1) California Department of Finance, Demographic Research Unit, <http://www.dof.ca.gov>
- (2) Chapman University Economic & Business Review.
- (3) U.S. Census Bureau, American Community Survey, <http://www.census.gov>, 2017 N/A
- (4) California Department of Education, <http://www.cde.ca.gov>
- (5) State of California, Employment Development Department, <http://www.edd.ca.gov/>

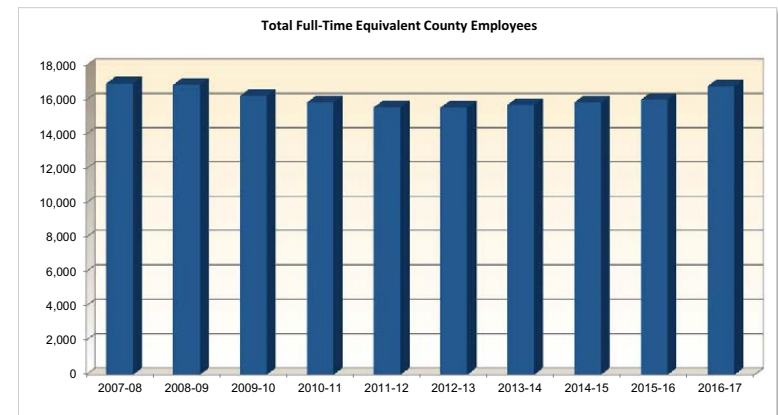
**Principal Employers
 Current Year and Nine Years Ago**

2017			
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	29,000	1	1.80%
University of California, Irvine	23,605	2	1.46%
County of Orange	18,264	3	1.13%
St. Joseph Health System	11,925	4	0.74%
Allied Universal	8,229	5	0.51%
Kaiser Permanente	7,694	6	0.48%
Boeing Co.	6,103	7	0.38%
Wal-Mart	6,000	8	0.37%
California State University, Fullerton	5,781	9	0.36%
Bank of America	5,500	10	0.34%

2008			
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	20,000	1	1.22%
County of Orange	18,748	2	1.14%
University of California, Irvine	17,579	3	1.07%
St. Joseph Health System	10,047	4	0.61%
Boeing Co.	9,961	5	0.61%
Yum! Brands Inc.	7,200	6	0.44%
AT&T Incorporated	6,000	7	0.37%
California State University, Fullerton	5,634	8	0.34%
Home Depot, Incorporated	5,450	9	0.33%
Memorial Health Services Inc.	4,956	10	0.30%

**Full-time Equivalent County Employees by Function
 Last Ten Fiscal Years**

Function/Program	2016-17	2015-16	2014-15	2013-14	2012-13 ⁽²⁾	2011-12	2010-11	2009-10	2008-09	2007-08
General Government	1,511	1,419	1,341	1,322	1,273	1,279	1,314	1,346	1,383	1,377
Public Protection	6,915	6,642	6,674	6,760	6,781	6,653	6,692	6,879	7,298	7,226
Public Ways and Facilities	431	435	440	478	508	542	569	585	622	621
Health and Sanitation	2,409	2,253	2,198	2,128	2,137	2,209	2,292	2,346	2,507	2,550
Public Assistance	4,529	4,306	4,239	4,043	3,876	3,867	3,935	4,023	4,000	4,123
Education	309	302	286	290	286	307	324	325	350	360
Recreation and Cultural Services	298	272	265	274	268	283	289	285	277	264
Airport	153	154	159	162	167	168	168	169	168	161
Waste Management	249	233	241	249	255	257	261	267	272	270
CFCOG	9	11	11	11	11	13	14	16	17	17
Total Full-time Equivalent Employees⁽¹⁾	16,813	16,027	15,854	15,717	15,562	15,578	15,858	16,241	16,894	16,969



Note: (1) Full-time equivalent employment is calculated by dividing total labor hours by the total of hours in a fiscal year (2,080 hours).
 (2) Updated FY 2012-13 numbers due to reevaluation of methodology. It was subsequently determined that prior methodology was appropriate.

Source: County Executive Office, County of Orange

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Source: Orange County Business Journal Book of Lists - County of Orange
<http://www.labormarketinfo.edd.ca.gov>

Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13
General Government					
Auditor-Controller					
Property Tax Bills Prepared	1,127,725	1,141,652	1,216,325	1,220,750	1,186,238
Assessor					
Number of Real Property Valued	937,630	930,470	924,791	918,672	914,489
Number of Unsecured Property Assessed	121,665	141,224	145,151	135,551	139,865
New Parcels Created and Mapped	9,053	6,665	6,918	4,519	8,175
New Construction Events	21,254	19,397	18,530	16,904	17,173
County Executive Office					
Volunteer Program Service Hours	645,482	613,277	638,230	700,759	815,407
Clerk-Recorder					
Marriage Licenses Issued	25,309	23,725	23,553	25,244	22,502
Marriage Ceremonies Performed	12,876	11,122	11,213	12,056	*
Copies of Birth Certificates Issued	85,051	74,508	79,826	82,268	81,775
Property-Related Document Recordings	640,243	617,914	651,866	580,899	839,353
Passport Applications Filed	9,437	7,093	5,016	2,686	*
Treasurer-Tax Collector					
Orange County Investment Pool Income ⁽¹⁾	\$ 36,677	\$ 24,877	\$ 14,581	\$ 11,298	\$ 12,958
Assets Under Management ⁽¹⁾	\$ 9,092,268	\$ 8,271,502	\$ 7,604,246	\$ 6,566,145	\$ 6,490,056
Number of Property Tax Bills	1,448,886	1,367,275	1,381,808	1,421,654	1,347,596
Percentage of Secured Tax Bill Collection	99.39%	99.26%	99.21%	99.16%	98.94%
Number of Incoming Phone Calls	108,061	111,948	121,461	115,123	150,830
Percentage of Electronic Payments	57.2%	54.9%	54.2%	53.8%	49.4%
Secured Tax Bill Reminders	40,898	38,213	35,917	31,988	28,664
Property Tax Payments by eCheck	348,961	309,977	285,932	248,908	213,146
Registrar of Voters					
Registered Voters	1,535,967	1,395,380	1,424,216	1,411,232	1,683,001
Highest Number of Ballots Cast	1,239,405	691,802	640,358	340,187	1,133,204
Elections Conducted	1	4	7	3	2
Public Protection					
Sheriff-Coroner					
Patrolled Cities Population	644,496	641,753	637,261	631,934	627,447
Patrolled Unincorporated Areas Population	125,792	125,420	124,014	121,473	120,396
Number of Bookings to Orange County Jail System	56,330	56,163	56,135	61,262	63,439
Average Daily Jail Head Count	6,220	6,028	6,055	7,039	6,805
District Attorney					
Defendants Prosecuted - Adult	61,219	61,521	56,233	55,906	57,873
Defendants Prosecuted - Juvenile	3,631	3,564	4,482	5,103	6,651
Probation					
Physical Arrests - Adult	*	*	*	*	2,947
Physical Arrests - Juvenile	*	*	*	*	640
Probationers under Supervision as of June 30th-Adult	11,189	11,714	10,725	14,425	14,186
Probationers under Supervision as of June 30th-Juvenile	2,290	2,550	3,124	4,156	4,984
Avg. Daily Juvenile Hall Population	150	130	150	229	320
Avg. Daily Camp Population	136	143	203	182	193
Public Defender					
Cases Appointed Annually	61,878	65,574	79,119	74,101	77,073

Note: (1) Dollar amounts in thousand
 (2) * means Not Available
 Sources: County Departments

Function/Program	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
General Government					
Auditor-Controller					
Property Tax Bills Prepared	1,153,816	1,189,320	1,144,933	1,148,720	1,149,007
Assessor					
Number of Real Property Valued	901,840	899,644	897,547	888,770	881,233
Number of Unsecured Property Assessed	159,464	161,005	168,208	169,821	176,584
New Parcels Created and Mapped	3,649	2,739	9,413	9,185	10,252
New Construction Events	17,129	9,372	13,172	16,565	19,380
County Executive Office					
Volunteer Program Service Hours	885,416	935,284	882,680	839,125	675,285
Clerk-Recorder					
Marriage Licenses Issued	22,415	20,868	20,292	21,339	20,894
Marriage Ceremonies Performed	*	*	*	*	*
Copies of Birth Certificates Issued	83,611	85,773	87,999	98,231	117,226
Property-Related Document Recordings	741,935	725,323	669,332	629,373	658,005
Passport Applications Filed	*	*	*	*	*
Treasurer-Tax Collector					
Orange County Investment Pool Income ⁽¹⁾	\$ 17,978	\$ 22,295	\$ 35,656	\$ 67,242	\$ 141,824
Assets Under Management ⁽¹⁾	\$ 5,922,768	\$ 6,183,195	\$ 5,975,392	\$ 5,963,577	\$ 6,064,067
Number of Property Tax Bills	1,257,709	1,382,198	1,362,221	1,367,901	1,472,466
Percentage of Secured Tax Bill Collection	98.51%	98.35%	97.61%	96.30%	96.13%
Number of Incoming Phone Calls	148,463	162,955	160,067	178,420	175,149
Percentage of Electronic Payments	51.1%	49.3%	43.8%	40.8%	41.2%
Secured Tax Bill Reminders	25,451	21,027	*	*	*
Property Tax Payments by eCheck	181,151	143,136	126,942	112,114	105,396
Registrar of Voters					
Registered Voters	1,612,145	1,621,934	1,603,312	1,607,989	1,566,951
Highest Number of Ballots Cast	145,474	898,205	482,708	1,167,657	748,910
Elections Conducted	2	5	5	4	5
Public Protection					
Sheriff-Coroner					
Patrolled Cities Population	557,403	553,148	584,947	581,109	575,909
Patrolled Unincorporated Areas Population	119,698	121,488	120,088	119,480	118,136
Number of Bookings to Orange County Jail System	65,256	63,615	58,322	61,778	64,596
Average Daily Jail Head Count	6,265	5,721	5,171	6,090	6,183
District Attorney					
Defendants Prosecuted - Adult	61,759	64,418	64,969	70,058	69,507
Defendants Prosecuted - Juvenile	6,743	7,907	6,894	7,740	9,076
Probation					
Physical Arrests - Adult	2,307	1,926	1,822	1,725	2,470
Physical Arrests - Juvenile	467	488	685	595	1,051
Probationers under Supervision as of June 30th-Adult	14,788	13,243	13,476	15,022	16,223
Probationers under Supervision as of June 30th-Juvenile	5,399	5,792	6,527	6,492	6,569
Avg. Daily Juvenile Hall Population	315	417	428	455	490
Avg. Daily Camp Population	169	194	191	310	438
Public Defender					
Cases Appointed Annually	73,487	77,661	76,191	83,029	79,052

**Operating Indicators by Function/Program
Last Ten Fiscal Years (Continued)**

Function/Program	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13
Recreation and Cultural Services					
OC Community Resources					
Exotic Invasive Plant Removal (acres)	2,940	2,782	1,466	1,154	4,102
Native Vegetation Restoration (acres)	262	293	312	368	843
New Open Space Management (acres)	--	--	--	--	--
Dana Point Harbor					
Slip and Dry Storage Tenants	438	2,903	3,204	2,679	2,700
Boat Launches	16,303	17,695	15,511	15,606	15,037
Sailing and Event Center Participants	80,752	50,000	75,000	111,838	115,996
Ocean Institute Students/Visitors	127,361	192,384	41,000	100,000	108,668
Hotel Guests	39,140	43,515	43,073	42,887	41,141
Catalina Express Passengers	128,000	25,711	123,688	123,257	123,257
Special Events at the Harbor	6	8	12	15	16
Public Ways and Facilities					
OC Public Works (OCPW)					
Building and Home Inspections	39,056	40,662	30,324	31,772	19,368
Health and Sanitation					
OC Community Resources					
Animal Licenses	171,237	192,470	198,358	192,320	191,098
Health Care Agency					
911 Emergency Medical Services Responses	204,683	193,538	183,794	170,804	171,420
Retail Food Facility Inspections Conducted	32,305	26,195	31,397	32,689	34,953
Hazardous Waste Inspections Conducted	7,271	8,328	5,950	4,616	6,058
Number of Home Visits by Public Health Nurses	32,108	29,219	31,258	35,101	34,953
Number of Low Income Children Dental Health Services	311	496	755	1,225	1,107
Number of Ocean Water Days of Closure (In Beach-Miles)	17	22	24	20	8
Public Assistance					
OC Community Resources					
Adult Day Care Hours of Service	47,567	49,971	43,010	50,944	49,129
Elderly Nutrition Program Meals Delivered	1,417,361	1,374,275	1,406,526	1,347,251	1,360,601
One-Way Transportation Trips Provided to Seniors	190,534	198,851	180,899	187,864	155,003
Social Service Agency					
Average Monthly Medi-Cal Recipients	817,408	810,388	718,061	521,078	430,559
Average Monthly Child Abuse Hotline Calls	4,076	4,259	4,049	3,674	3,009
Average Monthly CalFresh (formerly Food Stamp) Recipients	250,772	263,556	258,676	247,517	230,964
Average Monthly In-Home Supportive Services	24,427	22,635	20,787	19,652	19,663
Average Persons Receiving Cash Assistance	46,369	52,081	55,921	55,225	55,008
Average Children in Foster Care/Relative Care	1,886	1,791	1,924	2,119	2,213
Average Elder and Adult Abuse Unduplicated Reports Received	995	942	815	710	636
Education					
OC Community Resources					
Total Volumes Borrowed at Library Branches	6,864,635	6,634,747	6,411,127	6,642,739	6,564,262
Airport					
Passengers	10,373,714	10,361,436	9,608,873	9,304,295	9,124,172
Air Cargo Tonnage	17,813	18,568	16,997	17,564	17,821
Takeoffs & Landings	285,704	276,817	264,726	252,166	252,506
Waste Management					
Solid Waste Tonnage					
Gallons of Leachate and Impacted Ground Water Collected	4,810,116	4,772,722	4,581,359	4,070,238	3,428,657
Ground Water Collected					
	5,599,757	3,542,736	5,510,821	3,854,530	3,116,108

* means Not Available
Sources: County Departments

Function/Program	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Recreation and Cultural Services					
OC Community Resources					
Exotic Invasive Plant Removal (acres)	4,042	629	61	1,475	*
Native Vegetation Restoration (acres)	994	2,448	82	144	*
New Open Space Management (acres)	--	--	--	--	250
Dana Point Harbor					
Slip and Dry Storage Tenants	2,237	2,748	2,750	2,836	2,932
Boat Launches	14,327	15,150	18,759	19,903	22,247
Sailing and Event Center Participants	111,959	108,070	83,738	66,163	54,371
Ocean Institute Students/Visitors	110,059	125,000	125,060	126,957	116,218
Hotel Guests	36,800	26,972	25,252	28,650	26,940
Catalina Express Passengers	120,945	114,176	106,305	111,648	114,000
Special Events at the Harbor	16	16	16	16	16
Public Ways and Facilities					
OC Public Works (OCPW)					
Building and Home Inspections	15,591	13,215	11,222	24,731	31,363
Health and Sanitation					
OC Community Resources					
Animal Licenses	200,755	173,570	176,123	158,202	155,875
Health Care Agency					
911 Emergency Medical Services Responses	168,172	156,638	158,863	160,369	150,545
Retail Food Facility Inspections Conducted	35,025	34,962	36,445	33,146	33,451
Hazardous Waste Inspections Conducted	5,444	6,237	6,600	5,847	6,194
Number of Home Visits by Public Health Nurses	32,498	29,260	30,091	29,505	30,447
Number of Low Income Children Dental Health Services	1,344	1,533	1,520	979	660
Number of Ocean Water Days of Closure (In Beach-Miles)	0.93	61	20	26	11
Public Assistance					
OC Community Resources					
Adult Day Care Hours of Service	70,267	93,425	92,964	101,732	89,584
Elderly Nutrition Program Meals Delivered	1,636,379	1,846,571	1,796,596	1,725,058	1,736,877
One-Way Transportation Trips Provided to Seniors	184,476	287,611	213,832	233,382	225,763
Social Service Agency					
Average Monthly Medi-Cal Recipients	418,649	403,142	376,101	343,222	326,506
Average Monthly Child Abuse Hotline Calls	2,880	3,003	3,165	3,242	3,427
Average Monthly CalFresh (formerly Food Stamp) Recipients	213,919	185,489	150,141	109,491	88,284
Average Monthly In-Home Supportive Services	19,240	18,335	17,595	16,364	14,425
Average Persons Receiving Cash Assistance	56,847	58,770	53,214	44,115	38,840
Average Children in Foster Care/Relative Care	2,128	2,148	2,336	2,466	2,797
Average Elder and Adult Abuse Unduplicated Reports Received	630	604	598	531	549
Education					
OC Community Resources					
Total Volumes Borrowed at Library Branches	6,741,380	7,796,954	7,629,378	7,314,615	6,908,477
Airport					
Passengers	8,642,116	8,611,054	8,812,169	8,552,590	9,566,043
Air Cargo Tonnage	16,831	15,150	14,870	15,197	21,084
Takeoffs & Landings	251,191	260,466	213,404	215,585	319,791
Waste Management					
Solid Waste Tonnage					
Gallons of Leachate and Impacted Ground Water Collected	3,304,643	3,495,649	3,502,715	3,876,902	4,207,649
Ground Water Collected					
	3,448,964	3,209,725	3,390,965	3,441,343	3,766,898

**Capital Asset Statistics by Function
 Last Ten Fiscal Years**

Function/Program	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13
General Government					
Auditor-Controller					
Hall of Finance and Records	1	1	1	1	1
Clerk-Recorder					
OC Archives Building	1	1	1	1	1
Registrar of Voters					
Trailer	1	1	1	1	1
Vehicle/Truck	4	4	4	3	3
Public Protection					
Sheriff-Coroner					
Crime/Forensic Lab	1	1	1	1	1
Jail Facilities	3	3	3	3	3
Vehicles	948	917	916	911	918
Buses	12	11	11	11	11
Helicopters	5	4	3	3	2
Boats	10	10	10	10	9
Robot Andros	3	3	3	3	3
Haz-mat Vehicles	4	4	4	4	4
K-9 units	26	28	22	18	13
District Attorney					
Justice Center Offices	5	5	5	5	5
Probation Department					
Juvenile Institutions	4	4	4	4	4
Vehicles/Trucks	159	155	159	156	*
Equipment	13	12	16	12	*
Recreation and Cultural Services					
OC Community Resources					
Park Land (acres)	62,900	62,900	62,900	60,500	59,318
Recreational Trails (in miles)	295	295	295	295	295
Zoo	1	1	1	1	1
Urban Regional Parks	15	15	15	15	15
Wilderness Parks	5	5	5	5	5
Nature Preserves	4	4	4	4	4
Harbors	3	3	3	3	3
Beaches	11	11	11	11	11
Historical Sites	7	7	7	7	7
Boats	10	8	7	7	9
Tractors	26	25	26	28	24
Trailers	33	31	27	29	33
Vehicles/Trucks	199	204	174	170	211
Dana Point Harbor					
Harbor	1	1	1	1	1
Marinas	2	2	2	2	2
Public Parking Areas	9	9	9	9	9

* means Not Available
 Source: County Departments

Function/Program	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
General Government					
Auditor-Controller					
Hall of Finance and Records	1	1	1	1	1
Clerk-Recorder					
OC Archives Building	1	1	1	1	1
Registrar of Voters					
Trailer	1	1	1	1	1
Vehicle/Truck	3	3	3	3	3
Public Protection					
Sheriff-Coroner					
Crime/Forensic Lab	1	1	1	1	1
Jail Facilities	3	3	3	3	3
Vehicles	838	844	844	859	855
Buses	11	13	13	13	12
Helicopters	2	2	2	2	2
Boats	9	5	5	5	5
Robot Andros	3	3	3	3	3
Haz-mat Vehicles	4	4	4	4	4
K-9 units	10	14	14	14	13
District Attorney					
Justice Center Offices	5	5	5	5	6
Probation Department					
Juvenile Institutions	4	4	4	4	4
Vehicles/Trucks	*	*	*	*	*
Equipment	*	*	*	*	*
Recreation and Cultural Services					
OC Community Resources					
Park Land (acres)	57,688	57,688	39,490	39,490	32,000
Recreational Trails (in miles)	295	295	292	300	300
Zoo	1	1	1	1	1
Urban Regional Parks	12	12	12	12	12
Wilderness Parks	5	5	5	5	5
Nature Preserves	4	4	4	3	3
Harbors	2	2	2	2	2
Beaches	9	9	9	9	9
Historical Sites	7	7	7	7	7
Boats	21	15	14	14	15
Tractors	26	22	18	17	9
Trailers	30	24	20	17	15
Vehicles/Trucks	188	233	208	176	165
Dana Point Harbor					
Harbor	1	1	1	1	1
Marinas	2	2	2	2	2
Public Parking Areas	9	9	9	9	9

**Capital Asset Statistics by Function
 Last Ten Fiscal Years (Continued)**

Function/Program	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13
Recreation and Cultural Services (Continued)					
Dana Point Harbor (Continued)					
Beaches	1	1	1	1	1
Access Points to Ocean	6	6	6	6	6
Hotel	1	1	1	1	1
Ocean Education Center	1	1	1	1	1
Sailing and Events Center	1	1	1	1	1
Shops	24	24	23	23	23
Restaurants	16	16	16	16	16
Fuel Dock	1	1	1	1	1
Shipyard	1	1	1	1	1
Boater Service Buildings	15	15	15	15	15
Parcel 11 (Yacht Building Company)	1	1	*	*	*
Parcel 23 (Yacht Club)	1	1	*	*	*
Public Ways and Facilities					
OC Public Works					
Hall of Administration	1	1	1	1	1
Data Center	1	1	1	1	1
Alternate Fuel Vehicles	46	50	51	60	60
Vehicles/Trucks	45	42	53	54	51
OC Flood Control District					
Watersheds	21	19	13	13	13
Dams	4	3	3	3	3
Dump Trucks	4	7	7	12	5
Tractors	20	20	14	19	5
Trailers	16	14	24	17	8
Vehicles/Trucks	97	79	156	156	156
Roads					
Street Miles	330	330	320	320	319
Dump Trucks	12	12	11	9	4
Tractors	30	30	18	9	6
Trailers	24	32	30	18	10
Vehicles/Trucks	174	147	146	165	151
Health and Sanitation					
Clinics ⁽¹⁾					
Clinics ⁽¹⁾	4	4	4	3	3
Laboratories ⁽¹⁾	2	2	2	2	2
Trailers ⁽¹⁾	9	12	12	8	11
Vehicles and Trucks ⁽¹⁾	30	24	24	25	25
OC Community Resources					
Animal Care Center	1	1	1	1	1
Trailers	3	3	3	3	3

Note: (1) Presentation changed in FY 2014-15 to summarize by asset
 (2) * means Not Available
 Source: County Departments

Function/Program	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Recreation and Cultural Services (Continued)					
Dana Point Harbor (Continued)					
Beaches	1	1	1	1	1
Access Points to Ocean	6	6	6	6	6
Hotel	1	1	1	1	1
Ocean Education Center	1	1	1	1	1
Sailing and Events Center	1	1	1	1	1
Shops	25	25	25	26	26
Restaurants	16	15	16	15	15
Fuel Dock	1	1	1	1	1
Shipyard	1	1	1	1	1
Boater Service Buildings	15	15	15	15	15
Parcel 11 (Yacht Building Company)	*	1	*	*	*
Parcel 23 (Yacht Club)	*	1	*	*	*
Public Ways and Facilities					
OC Public Works					
Hall of Administration	1	1	1	1	1
Data Center	1	1	1	1	1
Alternate Fuel Vehicles	59	59	59	59	59
Vehicles/Trucks	50	50	50	47	47
OC Flood Control District					
Watersheds	13	19	11	11	11
Dams	3	3	3	3	3
Dump Trucks	5	13	13	13	14
Tractors	5	10	19	19	20
Trailers	12	15	14	14	13
Vehicles/Trucks	165	161	122	166	162
Roads					
Street Miles	320	320	320	320	320
Dump Trucks	11	9	1	8	8
Tractors	3	4	3	12	13
Trailers	5	9	11	14	14
Vehicles/Trucks	146	151	144	158	157
Health and Sanitation					
Clinics ⁽¹⁾					
Clinics ⁽¹⁾	3	2	2	2	49
Laboratories ⁽¹⁾	2	2	2	1	2
Trailers ⁽¹⁾	27	27	27	27	25
Vehicles and Trucks ⁽¹⁾	24	27	26	25	68
OC Community Resources					
Animal Care Center	1	1	1	1	1
Trailers	3	3	3	3	2

**Capital Asset Statistics by Function
 Last Ten Fiscal Years (Continued)**

Function/Program	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13
Public Assistance					
Social Service Agency					
Vehicles	4	5	5	5	6
Office Locations	20	20	20	19	20
Education					
Library Branches	33	33	33	33	33
Library Headquarters	*	*	*	*	*
Airport					
Acres	501	501	501	501	501
Runways	2	2	2	2	2
Public Parking Structures/Lots	5	5	5	5	5
Terminals	3	3	3	3	3
Fire Trucks	4	4	4	4	4
Waste Management					
Active Landfills	3	3	3	3	3
Inactive Landfills	2	2	2	2	2
Household Hazardous Waste					
Collection Centers	4	4	4	4	4
Dozers	6	8	7	7	7
Dump Trucks	10	10	10	10	12
Loaders	12	21	20	20	20
Scrapers	6	8	8	8	8
Excavators	2	2	2	2	2
Tractors	27	30	28	29	28
Graders	4	4	4	4	4
Compactors	7	8	8	8	8
Water/Fuel Trucks	14	13	13	13	11

Function/Program	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Public Assistance					
Social Service Agency					
Vehicles	10	10	8	7	8
Office Locations	20	19	20	21	27
Education					
Library Branches	33	33	33	33	33
Library Headquarters	*	1	1	1	1
Airport					
Acres	501	501	501	501	501
Runways	2	2	2	2	2
Public Parking Structures/Lots	5	5	5	5	5
Terminals	3	1	1	1	1
Fire Trucks	4	4	4	4	4
Waste Management					
Active Landfills	3	3	3	3	3
Inactive Landfills	2	2	2	2	2
Household Hazardous Waste					
Collection Centers	4	4	4	4	4
Dozers	8	8	10	10	10
Dump Trucks	12	14	14	14	14
Loaders	21	22	21	21	21
Scrapers	8	11	13	13	15
Excavator	2	2	-	-	-
Tractors	29	29	29	28	27
Graders	4	4	3	6	5
Compactors	8	8	5	5	6
Water/Fuel Trucks	11	11	12	13	12

* means Not Available
 Source: County Departments



Orange County Auditor-Controller
12 Civic Center Plaza, Suite 200 Santa Ana, California 92701



OC Auditor-Controller: www.ac.ocgov.com • County of Orange: www.ocgov.com

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Indenture, the Loan Agreement, the Facility Lease and the Ground Lease are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

“Act” means the Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

“Additional Bonds” means the additional bonds authorized by a Supplemental Indenture that are authenticated and delivered by the Trustee under and pursuant to the Indenture.

“Additional Payments” means the amounts payable by the County in each year as shall be required for the payment of all costs and expenses set forth in the Facility Lease.

“Additional Project” means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Additional Bonds.

“Administrative Fees and Expenses” means any application, commitment, financing, issuance, ongoing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Trustee in connection with the Bonds, including Additional Payments.

“Articles of Incorporation” means the Articles of Incorporation creating the Corporation filed with the California Secretary of State on May 10, 2017.

“Authority” means the California Municipal Finance Authority, or its successors and assigns, a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, dated as of January 1, 2004 by and among certain California cities, counties and special districts, as may be amended from time to time pursuant to the provisions of the Act.

“Authority Issuance Fee” means that amount set forth in the Indenture as the initial issuance fee due at closing of the Bonds.

“Authority Representative” means with respect to the Authority, any member of the Board of Directors of the Authority or the Executive Director of the Authority, or any other person designated as an Authority Representative by a certificate signed by a member of such Board of Directors or such Executive Director and filed with the Trustee.

“Authorized Corporation Representative” means any Director of the Corporation, the County Chief Financial Officer, the County Public Finance Director, and any person who at the time and from time to time may be designated, by written certificate furnished to the Authority and the Trustee by any Director of the Corporation, as a person authorized to act on behalf of the Corporation. Such certificate shall contain the specimen signature of such person, shall be signed on behalf of the Corporation by any officer of the Corporation and may designate an alternate or alternates.

“Authorized Denominations” means \$5,000 and any integral multiple of \$5,000 in excess thereof.

“Authorized Signatory” means any Authority Representative and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby.

“Base Rental Payment Date” means 15th day of the month preceding each Interest Payment Date.

“Base Rental Payments” means the amounts payable pursuant to the Facility Lease by the County to the Corporation for the use and occupancy of the Leased Property.

“Beneficial Owner” means, (i) when used with reference to the Book Entry Only System, the person who is considered the beneficial owner of the Bonds and, with respect to the Bonds pursuant to the arrangements for book entry determination of ownership applicable to the Depository and, (ii) for purposes of the Indenture as summarized herein under the caption “INDENTURE – Particular Covenants – Continuing Disclosure,” any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding such through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bondholder” or ***“Holder”*** means, with respect to any Bond, the person in whose name such Bond is registered.

“Bonds” means the Series 2018A Bonds and any Additional Bonds.

“Bond Year” means the period from each June 1 to and including the following May 31 during the term of the Indenture; provided that the final Bond Year shall terminate on the Expiry Date.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in the city in which the Principal Corporate Trust Office is located are authorized or obligated by law or executive order to be closed.

“Capitalized Interest Account” means the account by that name established pursuant to the Indenture.

“Certificate of the Authority,” “Consent of the Authority,” “Order of the Authority,” “Request of the Authority” or ***“Requisition of the Authority”*** mean, respectively, a written certificate, consent, order, request or requisition of the Authority signed by or on behalf of the Authority by an Authorized Signatory authorized by the Authority to execute such a document on its behalf.

“Certificate of the Corporation,” “Consent of the Corporation,” “Request of the Corporation,” “Requisition of the Corporation” or ***“Statement of the Corporation”*** mean, respectively, a written certificate, request, requisition or statement of the Corporation executed on its behalf by any Director of the Corporation, the County Chief Financial Officer, the County Public Finance Director, and any person who at the time and from time to time may be designated, by written certificate furnished to the Authority and the Trustee by any Director of the Corporation, as a person authorized to act on behalf of the Corporation.

“Certificate of the County,” “Consent of the County,” “Order of the County,” “Request of the County” or ***“Requisition of the County”*** mean, respectively, a written certificate, consent, order, request or requisition of the County signed by or on behalf of the County by the Chair or Vice Chair of the County Board of Supervisors, the County Executive Officer, the County Chief Financial Officer, or the County

Public Finance Director and any person who at the time and from time to time may be designated, by written certificate furnished to the Authority and the Trustee as a person authorized to act on behalf of the County.

“Certificate of Substantial Completion” means a Certificate of the Corporation substantially in the form attached to the Loan Agreement and the Development Agreement, stating that construction of the Project has been substantially completed.

“Closing Date” means December 13, 2018, the date of original issuance and delivery of the Series 2018A Bonds.

“Code” means the Internal Revenue Code of 1986, or any successor code or law, and any regulations in effect or promulgated thereunder.

“Construction Costs” means all costs of constructing the Project, including, but not limited to:

(1) all costs which the County or the Corporation shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the construction, installation or improvement of the Project;

(2) obligations of the Corporation, the County or others incurred for labor and materials (including obligations payable to the Corporation, the County or others for actual out-of-pocket expenses of the Corporation, the County or others) in connection with the construction, installation or improvements of the Project, including reimbursement to the Corporation, the County or others for all advances and payments made in connection with the Project prior to or after delivery of the Bonds.

(3) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of construction, installation or improvement of the Project;

(4) all costs of engineering and architectural services, including the actual out-of-pocket costs of the Corporation or the County for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper construction, installation or improvement of the Project; and

(5) any sums required to reimburse the Corporation or the County for advances made by the Corporation or the County for any of the above items or for any other costs incurred and for work done by the Corporation or the County which are properly chargeable to the construction, installation or improvement of the Project.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated the Closing Date, to be executed and delivered by the County, as originally executed and delivered and as it may from time to time be amended in accordance therewith.

“Corporation” means the Capital Facilities Development Corporation, a California nonprofit public benefit corporation, its successors and assigns.

“Corporation Documents” means the Loan Agreement, the Ground Lease, the Facility Lease and the Development Agreement.

“Corporation Resolution” means the resolution or other authorizing action adopted by the Corporation authorizing the Loan and execution and delivery of the Corporation Documents.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority, the County or the Corporation and related to the original authorization, execution, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, fees and expenses of the Authority, the Trustee, legal fees and charges of bond counsel, special counsel, disclosure counsel and Trustee’s counsel, underwriters’ discount, rating agency fees and any other costs, charges or fees in connection with the original delivery of the Bonds.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“County” means the County of Orange, a political subdivision duly organized and existing under the Constitution and laws of the State of California.

“Debt Service” means, for any period of time, the sum of (a) the interest payable during such period on all indebtedness of the applicable entity, (b) that portion of the principal amount of all Indebtedness of the applicable entity maturing on each principal payment date during such period, and (c) that portion of the principal amount of all indebtedness of the applicable entity that are required to be redeemed or paid from sinking fund installments during such period (together with the redemption premiums, if any, thereon).

“Default Rate” means the maximum annual rate of interest borne by any of the Series 2018A Bonds.

“Depository” means The Depository Trust Company and its successors and assigns, or any other depository selected as set forth in the Indenture which agrees to follow the procedures required to be followed by such depository in connection with the Bonds.

“Developer” means Griffin Structures, Inc., a California corporation, and its successors and permitted assigns.

“Development Agreement” means that certain Development Agreement, between the Corporation and the Developer with respect to the Project, as the same may be amended from time to time, pursuant to which the Developer will acquire, construct and equip the Project on the Real Property.

“Electronic Notice” means notice through telecopy, facsimile, transmission, internet, e-mail or other electronic means of communication, capable of making a written record.

“Eligible Securities” means any of the following obligations as and to the extent that such obligations are at the time legal investments under the Act for moneys held under the Indenture and then proposed to be invested therein (provided that the Trustee shall be entitled to rely upon a Request of the Corporation as conclusive evidence that the investments described therein are so authorized under the laws of the State) and shall be the sole investments in which amounts on deposit in any fund or account created under the Indenture or under the Loan Agreement shall be invested:

- (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America or any Federal Reserve Bank and CATS and TIGRS) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities shall constitute Eligible Securities only if they have been stripped by the agency itself); U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Department of Housing and Urban Development, Government National Mortgage Association, and Federal Housing Administration;

(3) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities shall constitute Eligible Securities only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (“FHLMC”), Federal National Mortgage Association (“FNMA”), Student Loan Marketing Association, Resolution Funding Corporation or Farm Credit System;

(4) bonds or notes issued by any state or municipality, or political subdivisions thereof, which are rated by S&P, Fitch or Moody’s in one of the three highest rating (without regard to qualifier) categories assigned by such agencies;

(5) repurchase agreements with a primary dealer on the reporting dealer list of the Federal Reserve, or any bank, or any other financial institution, which, in any case, has capital of not less than \$500 million and which has long-term ratings, at the time of purchase, in the “A” category (without regard to modifiers) or better by at least two of the following rating agencies: S&P, and Moody’s, and or Fitch; and which has a minimum short-term rating of no less than “A-1” or equivalent (A-1/P-1/F1), at the time of purchase, by at least two of the following rating agencies: S&P, Moody’s, or Fitch, provided that (a) the term of such repurchase agreement is not greater than the Developer Obligation Date as set forth in Exhibit F of the Development Agreement, (b) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral, (c) the collateral is valued weekly with deficiencies to be cured within two (2) days and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations of FHLMC or FNMA or States or Municipalities, 105%) of the amount of cash transferred by the Trustee to the repurchase agreement provider under the repurchase agreement plus interest, (d) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral, (e) eligible collateral must consist of Eligible Securities as defined under (1), (2), (3) or (4) of such definition; (f) the repurchase securities are free and clear of any third-party lien or claim; and (g) there shall have been delivered to the Trustee, the Authority and the Corporation an Opinion of Counsel as to the validity, legality and enforceability of the repurchase agreement;

(6) investment agreements, including guaranteed investment contracts (“GICs”) with providers in one of the two highest rating categories (without regard to qualifier) of Moody’s and S&P;

(7) money market funds registered under the Federal Investment Company Act of 1940, and having a rating, at the time of purchase, by S&P of “AAAm-G”, “AAA-m”, or “AA-m” and if rated by Moody’s rated “Aaa”, “Aa1” or “Aa2”, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds,

and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(8) certificates of deposit or similar bank deposit products secured at all times by collateral described in (1) and/or (2) above, issued by commercial banks, savings and loan associations or mutual savings banks relating to collateral held by a third party, and in which collateral the Trustee on behalf of the Bondholders has a perfected first security interest;

(9) certificates of deposit, savings accounts, deposit accounts or money market deposits that are fully insured by FDIC, including BIF and SAIF;

(10) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating, at the time of purchase, of “Prime-1” or “A-3” or better by Moody’s and “A-1” or “A” or better by S&P;

(11) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State as it may be amended;

(12) the Orange County Investment Pool;

(13) the State of California’s Pooled Money Investment Account; and

(14) the State of California’s Local Agency Investment Fund.

“Environmental Regulations” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

“Event of Default” means any of the events specified in the Indenture as summarized herein under the caption “INDENTURE – Events of Default; Remedies on Default – Events of Default; Waiver of Default.”

“Expiry Date” means June 1, 2048.

“Facility Lease” means that certain Facility Lease (Phase II), dated as of December 1, 2018, by and between the Corporation as lessor and the County as lessee, for use and occupation of the premises described therein, as the same may be amended and supplemented in accordance with its terms and with the terms of the Loan Agreement.

“Fiscal Year” means, with respect to the Corporation, the twelve-month period beginning July 1 and ending on June 30, or such other twelve-month period as may be designated in a written Statement of the Corporation delivered to the Authority and the Trustee and with respect to the County, as of the date of the Indenture, the period from July 1 to and including the following June 30.

“Fitch” means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County.

“Governmental Unit” shall have the meaning set forth in Section 150 of the Code.

“Gross Revenues” means, for any Fiscal Year, all of the revenues, income, cash receipts and other money received by the Corporation, or received by the Trustee on behalf of the Corporation pursuant to the Indenture, that are legally available for payment of the obligations of the Corporation under the Loan Agreement.

“Ground Lease” means that certain Ground Lease (Phase II), executed and entered into as of December 1, 2018, by and between the County and the Corporation, as originally executed and entered into and as it may from time to time be amended in accordance with the Indenture and therewith.

“Hazardous Substances” means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to persons on or about the Project or (ii) cause the Project to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§ 9601 *et seq.*; the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§ 6901 *et seq.*; the Hazardous Materials Transportation Act, 49 USC §§ 1801 *et seq.*; the Federal Water Pollution Control Act, 33 USC §§ 1251 *et seq.*; the California Hazardous Waste Control Law (“HWCL”), Cal. Health & Safety Code §§ 25100 *et seq.*; the Hazardous Substance Account Act (“HSAA”), Cal. Health & Safety Code §§ 25300 *et seq.*; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 *et seq.*; the Porter-Cologne Water Quality Control Act (the “Porter-Cologne Act”), Cal. Water Code §§ 13000 *et seq.*, the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other person coming upon the Project or adjacent property; or I any other chemical, materials or substance which may or could pose a hazard to the environment.

“Holder” means the registered owner of any Outstanding Series 2018A Bond.

“Indenture” means the Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions of the Indenture.

“Independent Consultant” means a Person that does not have any direct financial interest or any material indirect financial interest in the Corporation or the County and is not connected with the Corporation as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, and designated by the Corporation, qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by the County and having a favorable reputation for skill and experience in the financial affairs of such facilities.

“Insurance Proceeds and Condemnation Awards Fund” means the fund by that name established pursuant to the Indenture.

“Interest Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Interest Payment Date” means each June 1 and December 1, commencing June 1, 2019.

“Leased Property” means the Real Property and the Project (as the same may be changed from time to time by Removal or Substitution).

“Lien” means any mortgage or pledge of, security interest in or lien or encumbrance on the Leased Property or the Gross Revenues.

“Loan” means the loan of proceeds of the Series 2018A Bonds from the Authority to the Corporation pursuant to the Loan Agreement.

“Loan Agreement” means that certain loan agreement, dated as of December 1, 2018, between the Authority and the Corporation, as originally executed or as it may from time to time be supplemented, modified or amended subject to and in accordance with the terms thereof and of the Indenture.

“Loan Repayments” has the meaning given such term in the Loan Agreement.

“Mandatory Sinking Account Payment” means the amount so designated which is established pursuant to the Indenture with respect to the Series 2018A Bonds designated as Term Bonds or in a Supplemental Indenture for a series of Additional Bonds.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County.

“Opinion of Bond Counsel” means an Opinion of Counsel by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

“Opinion of Counsel” means a written opinion of counsel (which may be counsel for the Authority) selected by the Authority. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

“Optional Redemption Account” means the account by that name in the Redemption Fund established pursuant to the Indenture.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture as summarized herein under the caption “INDENTURE – Miscellaneous – Disqualified Bonds,”) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture as summarized herein under the caption “INDENTURE – Defeasance – Discharge of Liability on Bonds,” and (c) Bonds for the transfer or exchange of which, or in lieu of or in substitution for which, other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Payments” means (i) all moneys, if any, received by the Trustee directly from, or on behalf of, the Corporation, pursuant to the Loan Agreement (excluding Additional Payments), and (ii) all income derived from the investment of any money in any fund or account established pursuant to the Indenture.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Indenture, permit to remain unpaid; (ii) the Facility Lease, as it may be amended from time to time; (iii) the Loan Agreement, as it may be amended from time to time; (iv) the Ground Lease, as it may be amended from time to time; (v) the Indenture, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of Orange; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of the Facility Lease and to which the Corporation and the County consent in writing and certify to the Trustee will not materially impair the leasehold interests of the Corporation or use of the Leased Property by the County; and (ix) subleases and assignments of the County which will not adversely affect the exclusion from gross income of interest on the Series 2018A Bonds.

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Principal Corporate Trust Office” means for the Trustee originally appointed under the Indenture, the corporate trust office of the Trustee which at the date of execution of the Indenture is that specified in the Indenture, provided however, that for purposes of presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Principal Payment Date” means each principal and Mandatory Sinking Account Payment date for the Bonds, which shall occur on June 1 of each year, commencing June 1, 2023 with respect to the Series 2018A Bonds.

“Project” means the facilities described in the Facility Lease.

“Project Fund” means the fund by that name established pursuant to the Indenture.

“Rating Agency” means at any time any nationally recognized rating agency including Fitch, Moody’s or S&P, then rating the Bonds at the request of the Authority or the County.

“Rating Category” means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Real Property” means the real property described in the Facility Lease (as the same may be changed from time to time by Removal or Substitution).

“Rebate Analyst” means the Person engaged by the Corporation to calculate any rebate liability under the Code.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

“Record Date” means, with respect to an Interest Payment Date for the Bonds, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Reimbursement Account” means the account by that name established pursuant to the Indenture.

“Reimbursement Amount” means the amount representing the soft and hard costs of the Project incurred by the County for which the County is entitled to reimbursement from proceeds of the Bonds deposited into the Reimbursement Account within the Project Fund, which Amount the County may instruct the Corporation to pay Persons listed on Schedule I attached to the form of Requisition from the Project Fund which may represent payment for any authorized expenditures of the County. With respect to the Series 2018A Bonds, the Reimbursement Amount is zero.

“Removal” means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Ground Lease as provided in the Facility Lease.

“Responsible Officer” of the Trustee means and includes a duly authorized officer of the Trustee, with regular responsibility for the administration of matters related to the Indenture.

“Retained Rights” means Authority right to payment of the Administrative Fees and Expenses, any Additional Payments, any right to be indemnified, held harmless or defended, the right to enforce venue provisions, any right to receive information, reports, certifications or other documents and any right to notice, consent or inspection under the Indenture or under the Loan Agreement.

“Revenue Fund” means the fund by that name established pursuant to the Indenture.

“S&P” means S&P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attention: Call Notification Department, Fax (212) 855-7232 or to such other addresses and/or such other securities depositories as the Authority may designate to the Trustee in writing.

“Series 2018A Bonds” means the California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program – Phase II).

“Sinking Fund Installment” means, with respect to any Term Bonds, each amount so designated for such Term Bonds requiring payments by the Corporation from the Payments to be applied to the retirement of such Bonds on and prior to the stated maturity date thereof.

“Special Record Date” means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on Bonds.

“Special Redemption Account” means the account by that name in the Redemption Fund established pursuant to the Indenture.

“State” means the State of California.

“Substitution” means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Ground Lease, and the lease of substituted real property and improvements under the Facility Lease and under the Ground Lease as provided in the Facility Lease.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee in accordance with the provisions of the Indenture.

“Tax Certificate” means the respective Tax Certificate of the Authority and the County dated the date of issuance of the respective series of Tax Exempt Bonds, as the same may be amended or supplemented in accordance with its terms.

“Tax Exempt” means, with respect to interest on any obligations of a state or local government, that such interest is excluded from the gross income of the owners thereof for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Trustee” means Zions Bancorporation, National Association, duly organized and existing under and by virtue of the laws of the United States of America, as trustee acting in its capacity as such under the Indenture, or any successor as therein provided.

“Underwriter” means Citigroup Global Markets Inc., its successors and assigns.

INDENTURE

The Bonds

Terms of Series 2018A Bonds. The Series 2018A Bonds shall be issued as registered bonds in Authorized Denominations. The Series 2018A Bonds shall be dated their date of issuance. Interest on the Series 2018A Bonds shall be calculated on the basis of a 360-day year of twelve 30 day months and shall be payable in arrears on each Interest Payment Date. The Series 2018A Bonds shall mature on June 1 in each of the years and in the principal amounts and shall bear interest at the rates in the Indenture.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of the Depository, and shall be evidenced by one Bond for each maturity in the total aggregate principal amount of the Bonds of such maturity. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Indenture as summarized herein under the caption “INDENTURE – The Bonds – Use of Depository.” So long as Cede & Co. is the registered owner of the Bonds, as nominee of the Depository, references in the Indenture to the Bondholders, holders or registered owners shall mean Cede & Co. as aforesaid and shall not mean the “beneficial owners” of the Bonds.

The principal of and interest on the Bonds shall be payable in lawful money of the United States of America upon surrender at the Principal Corporate Trust Office. So long as the registered owner of the Bonds is Cede & Co., payment of principal and redemption shall be made without presentment. The interest on any Bond shall be payable to the person whose name appears on the registration books of the Trustee as the registered owner thereof as of the close of business on the Record Date for the Interest Payment Date, such interest to be paid by check mailed by first class mail, postage prepaid, on the Interest Payment Date, to the registered owner at his or her address as it appears on such registration books. Notwithstanding the foregoing, however, any Holder of \$1,000,000 or more in an aggregate principal amount of the Bonds shall be entitled to receive payments of interest on the Bonds held by it by wire transfer of immediately available funds to such bank or trust company located within the United States of America as such other Holder shall designate in writing to the Trustee by the first Record Date for such payment. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable in same day funds by the Trustee to Cede & Co., as nominee for the Depository.

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

Transfer of Bonds. The registration of any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall require the payment by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, and there shall be no other charge to any Holder for any such transfer. The Trustee shall not be required to register the transfer of any Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Bond selected for redemption in whole or in part as provided in the Indenture, or as provided in any Supplemental Indenture, or during the period established by the Trustee for selection of Bonds for redemption.

Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of the Bonds of the same maturity of other authorized denominations. The Trustee shall require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange, and there shall be no other charge to any Holder for any such exchange. No exchange of Bonds shall be required to be made during the period established by the Trustee for selection of Bonds for redemption and after a Bond has been selected for redemption.

Bond Register. The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office, sufficient books for the registration of transfer of the Bonds, which shall at all reasonable times during normal business hours upon reasonable notice be open to inspection by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer, on said books, of Bonds as provided in the Indenture.

Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Authority, shall be in registered form and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every

temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations, of the same maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds authenticated and delivered under the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond issued under the Indenture shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. If any Bond mutilated, lost, destroyed or stolen shall have matured, instead of issuing a substitute Bond the Trustee may pay the same without surrender upon receipt of indemnity satisfactory to the Trustee. The Authority may require payment from the Holder of a sum not exceeding the actual cost of preparing each new Bond issued under the Indenture as summarized in this section and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture as summarized in this section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Loan Agreement. The recital contained in the Bonds that the same are issued pursuant to the Act and the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

Execution and Delivery of Additional Bonds. At the written request of the Corporation, the Authority and the Trustee may, by execution of a Supplemental Indenture without the consent of the Bondholders, provide for the execution and delivery of Additional Bonds payable from additional Payments. The Trustee may authenticate and deliver to or upon the written request of the Corporation such Additional Bonds, and the proceeds of such Additional Bonds may be applied to any lawful purposes of the Corporation or the Authority, but such Additional Bonds may only be authenticated and delivered upon compliance by the Corporation with the provisions of the Indenture as summarized herein under the caption "INDENTURE – The Bonds – Proceedings for Authorization of Additional Bonds," and subject to the following specific conditions, which are made conditions precedent to the execution and delivery of any such Additional Bonds:

(a) Neither of the Corporation nor the Authority shall be in default under the Indenture nor any Supplemental Indenture or the Loan Agreement nor any supplemental loan agreement; neither of the County nor the Corporation shall be in default under the Facility Lease or the Ground Lease nor any supplement or amendment to either;

(b) The dated date and the maturity dates of, and the Mandatory Sinking Account Payment dates, if any, for such Additional Bonds; provided that (i) each maturity date shall fall upon June 1, (ii) the final maturity date shall not exceed the remaining useful life of the Leased Property, (iii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination and (iv) serial maturities for serial Bonds or Mandatory Sinking Account Payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Additional Bonds on or before their respective maturity dates;

(c) The interest payment dates for such Additional Bonds, which shall be Interest Payment Dates;

(d) The aggregate principal amount of Bonds authenticated and delivered and at any time Outstanding under the Indenture or under any Supplemental Indenture shall not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture;

(e) The Loan Agreement shall have been amended, to the extent necessary, so as to increase the Payments payable by the Corporation thereunder by an aggregate amount at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due.

(f) The Ground Lease and the Facility Lease shall have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the County under the Facility Lease by an aggregate amount at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due provided, however, that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property, and evidence of the satisfaction of this condition shall be made by a Certificate of the County, as required by the Indenture; and

Any Additional Bonds shall be on a parity with the Outstanding Bonds and each Bondholder thereof shall have the same rights upon an Event of Default as the Bondholder of any other Bonds executed and delivered under the Indenture, except as otherwise provided in the Supplemental Indenture under which Additional Bonds are executed and delivered.

The Corporation shall cause to be given to each rating agency rating the Bonds notice of any execution and delivery of Additional Bonds.

Proceedings for Authorization of Additional Bonds. Whenever the Corporation shall by written request, pursuant to the Indenture, request the execution and delivery of any Additional Bonds, the Authority and the Trustee shall enter into a Supplemental Indenture without the consent of the Bondholders of any Bonds, providing for the execution and delivery of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

Such Supplemental Indenture shall prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Indenture, shall provide for the distinctive designation, denominations, method of numbering, dates, Principal Payment Dates, interest rates, Interest Payment Dates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds shall be executed and delivered, the Corporation and the Authority shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel (which may rely upon the Certificate of the County required by section (c) summarized below and such other opinions and certificates as may be appropriate) substantially to the effect (1) that such Counsel has examined the Supplemental Indenture and the amendment, if any, to the Loan Agreement required by the Indenture that the execution and delivery of the Additional Bonds has been sufficiently and duly authorized by the Authority; (3) that said amendments to the Loan Agreement, when duly executed by the Corporation and the Authority, will be valid and binding obligations of the Corporation and the Authority; (4) that said amendments to the Loan Agreement have been duly authorized, executed and delivered; and (5) that the amendments to the Loan Agreement do not adversely affect the tax-exempt status of interest on by Outstanding Tax Exempt Bonds;

(b) An Opinion of Counsel (which may rely upon the Certificate of the County required by section (c) summarized below and such other opinions and certificates as may be appropriate) substantially to the effect (1) that such Counsel has examined the Supplemental Indenture and the amendment, if any, to the Ground Lease and the Facility Lease required by the Indenture; (2) that said amendments to the Ground Lease and the Facility Lease, when duly executed by the County and the Corporation, will be valid and binding obligations of the County and the Corporation; (4) that said amendments to the Ground Lease and the Facility Lease have been duly authorized, executed and delivered; and (5) that the amendments to the Ground Lease and the Facility Lease do not adversely affect the tax-exempt status of interest on Outstanding Tax Exempt Bonds;

(c) A Certificate of the County as to the annual fair rental value of the Leased Property; which Certificate may assume the timely construction and completion of any Additional Project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee (i) in the Project Fund, in an amount reasonably expected to be sufficient to provide for the construction costs of such Additional Project, and (ii) in the Capitalized Interest Account, in an amount sufficient to pay interest on the Additional Bonds for the period of time from their date of issuance until 6 months following the expected delivery date of the certificate of substantial completion or similar evidence of beneficial use and possession with respect to such Additional Project;

(d) Certified copies of the resolutions of the County and the Corporation, authorizing the execution of the amendments to the Ground Lease and Facility Lease required by the Indenture;

(e) Certified copies of the resolutions of the Authority and the Corporation, authorizing the execution of the amendments to the Loan Agreement required by the Indenture;

(f) An executed counterpart or duly authenticated copy of the amendments to the Loan Agreement, the Ground Lease and Facility Lease required by the Indenture;

(g) Certified copies of the policies of insurance required by the Facility Lease or certificates thereof, which shall evidence that the amounts of the insurance required under the Facility Lease have been increased, if necessary, to cover the amount of such Additional Bonds; and

(h) A CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in the Facility Lease.

Upon the delivery to the Trustee of the foregoing instruments so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee, the Trustee shall authenticate and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the request of, the Corporation.

Pledge and Assignment; Establishment and Application of Funds and Accounts

Pledge and Assignment.

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, there are pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture, all of the Payments and any other amounts (excluding proceeds of the sale of Bonds deposited to the Costs of Issuance Fund) held in any fund or account (other than the Rebate Fund and the Costs of Issuance Fund) established pursuant to the Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach and be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

(b) The Authority assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Payments and other amounts pledged in paragraph (a) above and all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the Retained Rights) and the Development Agreement (to the extent assigned to the Corporation under the Facility Lease). The Trustee shall be entitled to and shall receive all of such assigned Payments, and any such Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall (subject to the provisions of the Indenture) take all steps, actions and proceedings following any event of default under the Loan Agreement reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and all of the obligations of the Corporation under the Loan Agreement.

(c) All Payments, the proceeds of rental interruption insurance, and liquidated damages and delay damages, if any, under Section 7.2(b) and Section 8.13 of the Development Agreement attached as Appendix G to this Official Statement and subject to the terms of the Facility Lease, shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee is directed to establish, maintain and hold in trust. All Payments shall be held in trust for the benefit of the Holders from time to time of the Bonds but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture; provided, however, and notwithstanding the foregoing, if the Trustee receives Payments in an amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date or Principal Payment Date, as the case may be, after giving effect to the funds then on deposit in the Revenue Fund not needed for any other purpose under the Indenture, then amounts in the Revenue Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the Corporation, for any other purpose.

(d) The Bonds do not constitute a debt or liability of the State of California, the County or of any political subdivision thereof, other than the Authority, but shall be payable solely from the funds provided therefor. The Authority shall not be obligated to pay the principal of the Bonds, or the redemption premium or interest thereon, except from the funds provided therefor under the Indenture and neither the faith and credit nor the taxing power of the Authority, the State of California, or of any political subdivision thereof, including the County, is pledged to the payment of the principal of or the redemption premium or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State of California, or any political subdivision thereof, including the County, to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power. Moreover, neither the Authority nor the County shall be liable for any other costs, expenses, losses, damages, claims or actions, in connection with the Loan Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under the Loan Agreement.

Allocation of Revenues. Except as otherwise provided in the Indenture as summarized in this section, the Trustee shall deposit the Payments in the Revenue Fund at the time and in the priority and manner provided in the Indenture in the following respective accounts, each of which the Trustee agrees to establish and maintain and hold in trust until all required Payments are paid in full or until such date as the Bonds are no longer Outstanding, and the moneys in each of such accounts shall be disbursed only for the purposes and uses authorized in the Indenture. The Trustee shall establish and maintain the Capitalized Interest Account within the Interest Account until the date all amounts are transferred therefrom in accordance with subparagraph (1) summarized below.

(1) The Trustee, on each Interest Payment Date, shall transfer to the Interest Account, the aggregate amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding; provided, however, that on each Interest Payment Date occurring on or before the later of January 1, 2023 or the delivery to the Trustee of the Certificate of Substantial Completion, before making said deposit, if and to the extent available in the Capitalized Interest Account within the Interest Account, an amount equal to the aggregate amount of interest coming due on such Interest Payment Date, shall be transferred from the Capitalized Interest Account within the Interest Account to the Interest Account. Upon the later of January 1, 2023 or the delivery to the Trustee of the Certificate of Substantial Completion, the Trustee shall transfer any amounts then remaining in the Capitalized Interest Account to the Interest Account and close the Capitalized Interest Account; and

(2) The Trustee, on each Principal Payment Date, shall transfer to the Principal Account, a sufficient amount of money such that the aggregate of amounts therein equal the principal or Mandatory Sinking Account Payment coming due on such Principal Payment Date.

Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Application of Principal Account. (a) All amounts in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal or Mandatory Sinking Account Payments of the Bonds, as provided in the Indenture with respect to Bonds.

(b) The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Bonds, designated as the “____ Sinking Account,” inserting therein the series and maturity (if more than one such account established) for each Term Bond. On or before June 1 in each year, the Trustee shall transfer the amount deposited in the Principal Account on that date pursuant to the Indenture from the Principal Account to the Sinking Account for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month). With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Trustee shall transfer the amount deposited in the Principal Account pursuant to the Indenture for the purpose of applying the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds, upon the notice and in the manner provided in the Indenture; provided that, at any time prior to giving such notice of such redemption, the Trustee shall apply such moneys to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, in writing, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Bonds with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Corporation has deposited Bonds with the Trustee, or Bonds were at any time purchased or redeemed by the Trustee from the Redemption Fund and

allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment in such amount as directed by the Corporation. All Bonds purchased or deposited pursuant to this subsection shall be delivered to the Trustee and cancelled. Any amounts remaining in the Sinking Account when all of the Bonds are no longer Outstanding shall be withdrawn by the Trustee and transferred to the Revenue Fund. All Bonds purchased from the Sinking Account or deposited by the Corporation with the Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then to the remaining Mandatory Sinking Account Payments as the Corporation directs in writing along with a revised sinking fund schedule giving effect to the purchase so completed.

(c) Subject to the terms and conditions set forth in the Indenture, the Term Bonds shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and on the dates in the Indenture.

Establishment and Application of Redemption Fund. The Trustee shall establish and maintain, when required, a special fund designated as the Redemption Fund. Within the Redemption Fund, the Trustee shall establish separate accounts designated as the Optional Redemption Account and the Special Redemption Account. The Trustee shall accept all moneys deposited for redemption and shall deposit such moneys into the Optional Redemption Account or the Special Redemption Account, as applicable. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be accepted and used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon written direction of the Corporation, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in the case of the Optional Redemption Account in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Corporation.

Rebate Fund. (a) The Trustee shall establish and maintain, when required, a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary to comply with written instructions of the Corporation given pursuant to the terms and conditions of the Tax Certificate. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America. Neither the Authority, the Corporation nor the Holder of any Tax Exempt Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture as summarized in this section, by the Indenture as summarized herein under the caption "INDENTURE – Particular Covenants – Tax Covenants," and by the Tax Certificate (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Corporation including supplying all necessary information in the manner provided in the Tax Certificate, and shall have no liability or responsibility to enforce compliance by the Corporation or the Authority with the terms of the Tax Certificate or any other tax covenants contained in the Indenture. The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee shall have no

independent duty to review such calculations or enforce the compliance by the Corporation with such rebate requirements. The Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with written instructions provided by the Corporation.

(b) Upon the Corporation's written direction, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the Corporation, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Corporation in accordance with the Tax Certificate. The Trustee shall supply to the Corporation and/or the Authority all necessary information in the manner provided in the Tax Certificate to the extent such information is reasonably available to the Trustee.

(c) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to the Indenture as summarized in this section, other than from moneys held in the funds and accounts created under the Indenture or from other moneys provided to it by the Corporation.

(d) At the written direction of the Corporation, which shall include a statement to the effect that such direction complies with the restrictions set forth in the Tax Certificate, the Trustee shall invest all amounts held in the Rebate Fund in Eligible Securities. Moneys shall not be transferred from the Rebate Fund except as provided in paragraph (e) below. The Trustee shall not be liable for any consequences arising from such investment.

(e) Upon receipt of the Corporation's written directions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Corporation so directs, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Corporation's written directions; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the Corporation or the Authority, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after each five year remission to the United States of America, redemption and payment of all of the Tax Exempt Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the Corporation.

(f) Notwithstanding any other provision of the Indenture, including in particular the provisions of the Indenture as summarized herein under the caption "INDENTURE – Defeasance," the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of the Indenture as summarized in this section, the Indenture as summarized herein under the caption "INDENTURE – Particular Covenants – Tax Covenants," and the Tax Certificate shall survive the defeasance or payment in full of the Tax Exempt Bonds.

Establishment and Application of Project Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund," and within the Project Fund a separate account designated the "Reimbursement Account. The moneys in the Project Fund and/or the Reimbursement Account shall be disbursed upon the presentation of a duly made Requisition of the Corporation, signed by an Authorized Representative of the Corporation, payable to the Developer in accordance with an attached Project Application for Payment completed substantially in the form of Exhibit P to the Development Agreement attached as Appendix G to this Official Statement or to such other persons by invoice listed in a schedule to be attached thereto. Each such Requisition of the Corporation shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. The Trustee shall not be required to independently verify and shall not be responsible for information set forth in any Requisition or attachment thereto. Amounts in the Reimbursement Account may be used

to pay the Reimbursement Amount and/or costs of the Project. No moneys in the Project Fund shall be used to pay Costs of Issuance.

Upon final completion of the Project, the Corporation shall deliver a Certificate to the Trustee substantially in the form of Exhibit L to the Development Agreement attached as Appendix G to this Official Statement (the “Certificate of Final Completion”) and make the final requisition of funds from the Project Fund. Upon such payment, the Project Fund shall be closed.

Upon the delivery to the Trustee of such Certificate of Final Completion, the Trustee shall, pursuant to written instructions from the Corporation, transfer any remaining balance of money in the Project Fund, first, to the Rebate Fund to the extent the amount on deposit therein is less than the Rebate Requirement, and the remainder to a separate subaccount within the Principal Account, which the Trustee shall establish and hold in trust, and which shall be entitled the “Surplus Subaccount.” The moneys in the Surplus Subaccount shall be applied (unless some other application of such moneys would not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of interest on the Tax Exempt Bonds) as directed in writing by the Corporation to pay principal on the Bonds as such principal becomes due and payable, in annual amounts which bear the same ratio to the principal amount of Bonds maturing in such year that the amount deposited in the Surplus Subaccount bears to the original principal amount of Bonds. Notwithstanding the Indenture as summarized herein under the caption “INDENTURE – Particular Covenants – Tax Covenants,” the moneys in the Surplus Subaccount shall be invested at the written direction of the Corporation at a yield no higher than the yield on the Outstanding Tax Exempt Bonds (unless, in the opinion of Bond Counsel, investment at a higher yield would not adversely affect the tax-exempt status of interest on the Tax Exempt Bonds), and all such investment income shall be deposited in the Surplus Subaccount and expended or reinvested as provided above.

Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund.” Moneys deposited in said fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the Bonds upon the presentation of a duly made Requisition of the Corporation, signed by an Authorized Representative of the Corporation, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund, and including a copy of the invoice or statement evidencing the costs incurred. Each such Written Requisition of the Corporation shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the one hundred eightieth (180th) day following the initial issuance of the Bonds, or upon the earlier Request of the Corporation, amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Project Fund and the Costs of Issuance Fund shall be closed.

Application of Insurance Proceeds and Condemnation Awards. The Trustee shall not be responsible for the sufficiency of any insurance required by the Facility Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County or the Corporation. Delivery to the Trustee of the schedule of insurance policies under the Facility Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies.

Except as provided in the Indenture, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the County pursuant to the Facility Lease, the County and the Corporation shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Revenue Fund) to be used in accordance with the Facility Lease. The Trustee shall hold said proceeds in a separate fund to be established and maintained by the Trustee and designated the “Insurance Proceeds and Condemnation

Awards Fund.” The Trustee shall only make disbursements from the Insurance Proceeds and Condemnation Awards Fund upon receipt of a Written Request of the County on behalf of the Corporation, which (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred for the purpose of repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds and is a proper charge against the Insurance Proceeds and Condemnation Awards Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the County to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be transferred by the Trustee to Redemption Fund and applied in the manner provided by the Indenture. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay all Outstanding Bonds, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Redemption Fund and used for the redemption of Outstanding Bonds pursuant to the Indenture; provided, that if the County elects to so prepay the Outstanding Bonds, then the County shall make said election within 45 days after the damage to or destruction of the Leased Property. Notwithstanding any other provision in the Indenture, the County shall only prepay less than all of the Outstanding Bonds if the annual fair rental value of the Leased Property after such damage, destruction or condemnation is at least equal to the aggregate annual amount of principal and interest of the Outstanding Bonds not being prepaid.

The proceeds of any award in eminent domain shall be transferred by the County to the Trustee for deposit in the Redemption Fund and applied to the redemption of Outstanding Bonds pursuant to the Indenture.

Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts or subaccounts thereof established pursuant to the Indenture, shall be invested by the Trustee solely in such Eligible Securities as are specified in a Request of the Corporation, provided, however, that, if the Corporation does not file such a Request with the Trustee, the Trustee shall invest to the extent practicable in investments described in clause (7) of the definition of the term “Eligible Securities” in the Indenture; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Request of the Corporation specifying a specific money market fund and, if no such Request of the Corporation is so received, the Trustee shall hold such moneys uninvested.

All interest, profits and other income received from the investment of moneys shall be deposited in the Revenue Fund; provided that interest, profits and other income received from the investment of moneys in each of the Capitalized Interest Account and the Project Fund shall be retained therein.

Investments in any and all funds and accounts established pursuant to the Indenture may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Indenture for transfer to or holding in a particular fund amounts received or held by the Trustee under the Indenture, provided that the Trustee shall at all times account for such investments strictly in accordance with the particular funds to which they are credited and otherwise as provided in the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment. To the extent Eligible Securities are registrable, such investments shall be registered in the name of the Trustee. The Trustee may sell or present for redemption, any securities so purchased whenever it shall be necessary to provide moneys to

meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such securities are credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

The Trustee is authorized, in making or disposing of any investment permitted by the Indenture as summarized in this section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

No float forward or forward purchase agreement or other arrangement, agreement or financial product may be utilized in connection with the Revenue Fund.

The Corporation acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation the right to receive brokerage confirmations of security transactions as they occur, the Corporation specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Corporation periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Particular Covenants

Punctual Payment. The Authority shall punctually pay, but only out of Payments and pledged funds as provided in the Indenture, the principal and interest to become due in respect of every Bond issued under the Indenture at the times and places and in the manner provided in the Indenture and in the Bonds, according to the true intent and meaning thereof.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement except with the written consent of the Bondholders and, if the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended without the written consent of the Bondholders, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture as summarized in this section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Encumbrance Upon Payments. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Payments and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Payments and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the valid and binding limited obligations of the Authority, and the Authority and Trustee shall at all times, to the extent permitted by law and subject to the provisions of the Indenture, defend, preserve and protect said

pledge and assignment of Payments and other assets and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with the Trustee's accounting practices for books of record and account relating to similar trust accounts and in accordance with the customary standards of the corporate trust industry for such books of record and account, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Payments, the Loan Agreement and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, the Corporation and any Bondholder, or his agent or representative duly authorized in writing, at reasonable hours, upon reasonable notice and under reasonable circumstances.

Other Covenants; Amendment of the Loan Agreement and the Facility Lease. (a) Subject to the provisions of the Indenture, the Trustee shall promptly collect all amounts due pursuant to the Loan Agreement and diligently enforce and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority under the Loan Agreement assigned to it pursuant to the Indenture.

(b) The Authority shall not amend, modify or terminate any of the terms of the Loan Agreement or the Facility Lease, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent if but only if (1) the Trustee has received written certification to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds; provided that, if an Event of Default described in paragraph (a), (b) or (c) of the Indenture as summarized herein under the caption "INDENTURE – Events of Default; Remedies on Default – Events of Default; Waiver of Default" has occurred and is continuing, the Trustee rather than the Corporation shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel), or (2) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments payable to the Authority, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in the Indenture.

Continuing Disclosure. Pursuant to provisions of the Facility Lease as summarized herein under the caption "FACILITY LEASE – MISCELLANEOUS – Continuing Disclosure" and the Continuing Disclosure Certificate, the County has undertaken all responsibility for compliance with continuing disclosure requirements with respect to the Series 2018A Bonds pursuant to Securities and Exchange Commission Rule 15c2 12(b)(5), and the Authority shall have no liability to the Holders of the Bonds or any other person with respect to Securities and Exchange Commission Rule 15c2 12. The Trustee covenants and agrees that, subject to the provisions of the Indenture, it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate applicable to it in its capacity as the Trustee. Notwithstanding any other provision of the Indenture, failure of the County or the Trustee to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee at the written request of the Underwriter (as defined in the Continuing Disclosure Certificate) or the Holders

of at least 25% aggregate principal amount of Outstanding Bonds, shall (but only to the extent the Trustee has been tendered funds in an amount satisfactory to it or it has been otherwise indemnified from and against any loss, liability, cost or expense, including without limitation, fees and expenses of its counsel and agents and additional fees and charges of the Trustee) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under the Facility Lease as summarized herein under the caption "FACILITY LEASE – MISCELLANEOUS – Continuing Disclosure" or, as to any Bondholder or Beneficial Owner, to cause the Trustee to comply with its obligations under the Indenture as summarized in the Indenture as summarized in this section. For purposes of the Indenture as summarized in this section, "Beneficial Owner" means any person which (1) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (2) is treated as the owner of any Tax Exempt Bonds for federal income tax purposes.

Tax Covenants. The covenants of the Authority in the Indenture as summarized in this section are made solely in reliance on the representations and covenants of the Corporation set forth in the Loan Agreement and the Tax Certificate and a default by the Corporation with respect thereto shall not be considered a default of the Authority under the Indenture. The covenants of the Authority in the Indenture as summarized in this section are limited to those actions within its control, and further limited to the extent that the costs and expenses of taking such actions are borne by the Corporation or a third party. Subject to the foregoing:

(a) The Authority covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Tax Exempt Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth in the Indenture. This covenant shall survive the payment in full or the defeasance of the Tax Exempt Bonds.

(b) In the event that at any time the Authority is of the opinion that for purposes of the Indenture as summarized in this section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, and provided that such action shall not conflict with the requirements of the Tax Certificate, the Authority shall so instruct the Trustee in a Request of the Authority (which may be accompanied by a supporting Opinion of Bond Counsel), and the Trustee shall take such action as may be directed in accordance with such instructions.

(c) Notwithstanding any provisions of the Indenture as summarized in this section, if the Authority shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under the Indenture as summarized in this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Tax Exempt Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the Indenture as summarized in this section and the Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

Events of Default; Remedies on Default

Events of Default; Waiver of Default. If one or more of the following events ("Events of Default") shall happen, that is to say-

(a) if default shall be made by the Authority in the due and punctual payment of the principal of any Bond as the same shall become due and payable (whether at maturity, by declaration or otherwise);

(b) if default shall be made by the Authority in the due and punctual payment of interest on any Bond when and as such interest shall become due and payable; or

(c) if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority, the Corporation and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding;

then and in each and every such case during the continuance of such Event of Default, the provisions of the Indenture as summarized herein under the caption “INDENTURE – Events of Default; Remedies on Default – Institution of Legal Proceedings by Trustee” shall apply.

Institution of Legal Proceedings by Trustee.

(a) If one or more of the Events of Default shall occur, the Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall proceed to protect or enforce its rights or the rights of the holders of Bonds under the Indenture, the Loan Agreement and the Facility Lease, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained therein, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture, provided that any such request from the Bondholders shall not be in conflict with any rule of law or with the Indenture, expose the Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein.

(b) Notwithstanding anything to the contrary in the Indenture, the Authority shall have no obligation to, and instead the Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than those specifically retained by the Authority pursuant to the Indenture) under the Indenture or the Loan Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Corporation under the Loan Agreement.

Application of Moneys Collected by Trustee. Any moneys collected by the Trustee pursuant to the Indenture as summarized herein under the caption “INDENTURE – Events of Default; Remedies on Default – Institution of Legal Proceedings by Trustee” and any other amounts then held by the Trustee under the Indenture, shall be applied in the following order, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal upon presentation of the Bonds, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: To the payment of costs and expenses of collection and reasonable compensation to the Trustee for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and all other expenses and liabilities incurred, and for advances made pursuant to the provisions of the Indenture.

Second: In case the principal of any of the Bonds shall have become due and remains unpaid, first to the payment of interest in default, and then to the payment of the principal of all Bonds then due and unpaid, in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference.

Whenever moneys are to be applied pursuant to the provision of the Indenture as summarized in this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be the Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and past-due interest to be paid on such date shall cease to accrue.

Whenever all principal of and interest on all Bonds have been paid under the provisions of the Indenture as summarized in this section and all fees, expenses and charges of the Trustee (including without limitation those of its attorneys) have been paid, any balance remaining in the funds and accounts under the Indenture shall be paid to the Corporation.

Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee or of any Holder of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by the Indenture as summarized in this section “INDENTURE – Events of Default; Remedies on Default,” to the Trustee or to the Holders of Bonds may be exercised from time to time, and as often as shall be deemed expedient. In case the Trustee shall have proceeded to enforce any right under the Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority and the Trustee, and the Holders of the Bonds, severally and respectively, shall be restored to their former positions and rights under the Indenture in respect to the trust estate; and all remedies, rights and powers of the Authority, the Trustee and the Holders of the Bonds shall continue as though no such proceedings had been taken.

Remedies Cumulative. No remedy in the Indenture conferred upon or reserved to the Trustee or to any Holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity.

Covenant to Pay Bonds in Event of Default. The Authority covenants that, upon the happening of any Event of Default, the Authority will pay, but only out of Payments, to the Trustee, upon demand, for the benefit of the Holders of the Bonds, the whole amount then due and payable thereon (by declaration or otherwise) for interest and principal as the case may be, and all other sums which may be due under the Indenture or secured by the Indenture, including reasonable compensation to the Trustee and its agents and counsel and any expenses or liabilities incurred by the Trustee under the Indenture and, its agents and counsel. In case the Authority shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys’ fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Payments as provided in the Indenture and not otherwise. The Trustee shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the Indenture, and the right of the Trustee to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of the Indenture.

Trustee Appointed Agent for Bondholders. The Trustee is appointed the agent and attorney-in-fact of the Holders of all Bonds Outstanding under the Indenture for the purpose of filing any claims relating to the Bonds.

Power of Trustee to Control Proceedings. Subject to the Indenture as summarized herein under the caption “INDENTURE – Events of Default; Remedies on Default – Limitation on Bondholders’ Right to Sue,” in the event that the Trustee, upon the happening of an Event of Default, shall have taken some action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default under the Indenture, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Bondholders’ Right to Sue. Notwithstanding any other provision of the Indenture, no Holder of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Indenture; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Holders of the Outstanding Bonds.

The right of any Holder of any Bond to receive payment of the principal of and interest on such Bond out of Payments and the funds pledged in the Indenture, as provided in the Indenture, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, notwithstanding the foregoing provisions of the Indenture as summarized in this section or “Authority Retained Rights” summarized immediately below or any other provision of the Indenture.

Authority Retained Rights. Nothing in the Indenture as summarized herein under the caption “INDENTURE – Events of Default; Remedies on Default,” shall limit in any respect the right of the Authority to enforce or waive any of its Retained Rights under the Loan Agreement.

The Trustee

Duties, Immunities and Liabilities of Trustee. (a) The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by the Indenture, and

use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) The Authority may remove the Trustee at any time, after giving Trustee thirty (30) days' notice of such removal, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by the Corporation (unless an Event of Default shall have occurred and then be continuing) or at any time by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) summarized below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint, with the written consent of the Corporation (unless an Event of Default has occurred and is continuing, at which time consent of the Corporation shall not be required) and Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority, and by giving the Bondholders notice of such resignation by mail at the addresses shown on the Bond registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall appoint, with the written consent of the Corporation (unless an Event of Default has occurred and is continuing, at which time consent of the Corporation shall not be required) and Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and conveying to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall mail a notice of the succession of such Trustee to the trusts under the Indenture to the Bondholders at the addresses shown on the Bond registration books maintained by the Trustee. If the Authority fails to mail such notice within thirty (30) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under the provisions of the Indenture shall be a national banking association, a trust institution or banking institution having trust powers, doing business and having a principal corporate trust office in California or, if it shall not have a principal corporate trust office in California, having the power under California law to perform all the duties of the Trustee under the Indenture as evidenced by an opinion of its counsel, having, or if it is a member of a bank holding company system its parent shall have, a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and subject to supervision or examination by State or federal authorities. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture as summarized in this section.

(f) Notwithstanding anything contained in the Indenture to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Trustee to liability under any Environmental Law, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The term "Environmental Laws" shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto. The term "Hazardous Substances" shall mean any chemical, substance or material classified or designated as hazardous, toxic or radioactive, or other similar term, and regulated under any Environmental Law, including without limitation, asbestos, petroleum and hydrocarbon products. The Trustee shall not be required to take any foreclosure action if the approval of a government regulator shall be a condition precedent to taking such action.

Merger or Consolidation. Any company into which any successor Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the successor Trustee, if any, may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Indenture, shall be the successor to such successor Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Modification of Indenture

Modification without Consent of Bondholders. Subject to the conditions and restrictions contained in the Indenture, the Authority and the Trustee, from time to time and at any time may enter into an indenture or indentures supplemental to the Indenture, which indenture or indentures thereafter shall form a part of the Indenture, including, without limitation, for one or more of the following purposes, provided that the Authority and the Trustee shall have received an Opinion of Bond Counsel to the effect that such amendment or modification will not cause the interest on the Tax Exempt Bonds to be included as gross income for federal income tax purposes and that such amendment or modification is permitted by the Indenture:

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power reserved to or conferred upon the Authority in the Indenture; provided

such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision, contained in the Indenture, or in regard to such matters or questions arising under the Indenture as the Authority may deem necessary or desirable and not inconsistent with the Indenture; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds;

(c) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture or thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any indenture supplemental to the Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar federal statute; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds;

(d) in connection with an amendment of any agreement permitted by the Indenture for the purpose of conforming the terms, conditions and covenants of the Indenture to the corresponding or related provisions of such amended agreement;

(e) to modify or eliminate the book-entry registration system for the Bonds; or

(f) to comply with requirements of a Rating Agency in order to obtain or maintain a rating on any Bonds.

Any supplemental indenture authorized by the provisions of the Indenture as summarized in this section may be executed by the Authority and the Trustee without the consent of the Holders of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of the Indenture as summarized herein under the caption "INDENTURE – Modification of Indenture – Modification With Consent of Bondholders," but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Modification with Consent of Bondholders. With the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding), the Authority and the Trustee may from time to time and at any time, with an Opinion of Bond Counsel to the effect that such amendment or modification will not, in and of itself, cause the interest on the Tax Exempt Bonds to be included as gross income for federal income tax purposes, enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture shall (1) extend the fixed maturity of any Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof or (2) reduce the aforesaid percentage of Holders of Bonds whose consent is required for the execution of such supplemental indentures or extend the time of payment or permit the creation of any lien on the Payments or the assets pledged in the Indenture to or on a parity with the lien of the Indenture or deprive the Holders of the Bonds of the lien created by the Indenture upon the Payments or the assets pledged in the Indenture, without the consent of the Holders of all of the Bonds then Outstanding. Upon the filing with the Trustee of evidence of the consent of Bondholders, as aforesaid, the Trustee shall join with the Authority in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Bondholders under the Indenture as summarized in this section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Authority and the Trustee of any supplemental indenture pursuant to the provisions as summarized under this caption, the Authority shall mail a notice to the Trustee setting forth in general terms the substance of such supplemental indenture, and the Trustee, upon receipt of such notice, shall mail such notice to the Corporation and the Bondholders at the addresses shown on the Bond registration books maintained by the Trustee, at the expense of the Corporation. Any failure of the Authority or the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

The Trustee shall mail an executed copy of such supplemental indenture and any amendment of the Loan Agreement permitted under the Indenture to the Corporation, each Rating Agency then rating the Bonds promptly after execution by the Authority, the Trustee, and in the case of the Loan Agreement, the Corporation. The Authority shall mail drafts of any such documents to such parties prior to execution thereof.

Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions of the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Holders of Outstanding Bonds shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be part of the terms and conditions of the Indenture for any and all purposes.

Opinion of Counsel as to Supplemental Indenture. Subject to the provisions of the Indenture and the requirement in the Indenture as summarized herein under the caption “INDENTURE – Modification of Indenture – Modification Without Consent of Bondholders” and “– Modification With Consent of Bondholders” for an Opinion of Bond Counsel, the Trustee and the Authority may receive an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of the Indenture complies with the requirements of the Indenture and shall have no liability to Holders in excluding any Supplemental Indenture in reliance on an Opinion of Bond Counsel.

Defeasance

Discharge of Indenture. (a) Bonds may be paid or caused to be paid in any of the following ways, provided any other sums payable under the Indenture have also been paid or caused to be paid:

- (i) by paying or causing to be paid the principal of and interest on the Bonds Outstanding as and when the same become due and payable;
- (ii) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Bonds Outstanding; or
- (iii) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding.

(b) If all Bonds then Outstanding are paid or caused to be paid as provided above and all other sums payable under the Indenture shall also be paid or caused to be paid, then and in that case, at the election of the Corporation (evidenced by a Certificate of the Corporation, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that

any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Payments made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Indenture as summarized herein under the caption “INDENTURE – Defeasance – Discharge of Liability on Bonds.” In such event, upon request of the Corporation, the Trustee shall cause an accounting for such period or periods as may be requested by the Corporation to be prepared and filed with the Corporation and shall execute and deliver to the Corporation all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Corporation all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment of Bonds not theretofore surrendered for such payment and which are not required for the payment of fees and expenses of the Trustee.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay any Outstanding Bond, whether upon or prior to its maturity, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond, and the Authority shall remain liable for such payment but only out of the money or securities deposited with the Trustee as aforesaid for its payment; provided further, however, that the provisions of the Indenture as summarized herein under the caption “INDENTURE – Defeasance – Payment of Bonds after Discharge of Indenture” shall apply in all events.

The Bonds may at any time be surrendered to the Trustee for cancellation by the Authority or the Corporation, which may have been acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the amount necessary to pay any Bonds, such amount (which may include money or securities held by the Trustee in the funds established pursuant to the Indenture) shall be equal (taking into account income which will accrue from the investment thereof on the date of deposit of such funds but without taking into account any income from the subsequent reinvestment thereof) to the principal amount of such Bonds and all unpaid interest thereon to maturity, and shall be:

- (a) lawful money of the United States of America; or
- (b) noncallable bonds, bills and bonds issued by the Department of the Treasury (including without limitation (1) obligations issued or held in book-entry form on the books of the Department of the Treasury and (2) the interest component of Resolution Funding Corporation strips for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form), United States Treasury Obligations State and Local Government Series and Zero Coupon United States Treasury Bonds;
- (c) provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Corporation or the Authority) to apply such money to the payment of such principal of and interest on such Bonds and provided, further, that the Trustee shall have received (i) an Opinion of Bond Counsel to the effect that such deposit shall not cause interest on the Tax Exempt Bonds to be included in the gross income of the Holder thereof for federal income tax purposes and that the Bonds to be discharged are no longer Outstanding; and (ii) a verification report of a firm of certified public accountants or other financial services firm acceptable to the Trustee verifying that the money or securities so deposited or held together with

earnings thereon will be sufficient to make all payments of principal of and interest on the Bonds to be discharged to and including their maturity date.

Payment of Bonds after Discharge of Indenture. Notwithstanding any provision of the Indenture, and subject to applicable escheat laws, any moneys held by the Trustee in trust for the payment of the principal of or interest on any Bonds and remaining unclaimed for one year after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or by declaration as provided in the Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Corporation free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Corporation as aforesaid, the Trustee may (at the cost of the Corporation) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment thereof.

Miscellaneous

Non-Liability of Authority. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Payments and other moneys and assets received by the Trustee pursuant to the Loan Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Loan Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under the Loan Agreement.

The Trustee acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the Corporation to the Trustee pursuant to the Loan Agreement, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and agrees that if the payments to be made under the Loan Agreement shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then the Trustee shall give notice to the Corporation in accordance with the Indenture as summarized herein under the caption "INDENTURE – Events of Default; Remedies on Default – Events of Default; Waiver of Default," to pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Corporation, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA, THE COUNTY OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA, THE COUNTY OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THE

BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA, THE COUNTY OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER (A) NEITHER THE AUTHORITY NOR THE CORPORATION SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE CORPORATION UNDER THE LOAN AGREEMENT AND (B) THE CORPORATION SHALL NOT BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE GROUND LEASE AND THE FACILITY LEASE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE COUNTY UNDER THE GROUND LEASE AND THE FACILITY LEASE.

Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to Parties, Corporation and Bondholders. Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the Corporation and the Holders of the Bonds any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the Corporation and the Holders of the Bonds

Waiver of Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Destruction of Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the Authority, if the Authority shall so require) and at the request of the Authority deliver a certificate of such destruction to the Authority.

Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained in the Indenture. The Authority declares that it would have entered into the Indenture and each and every other section, paragraph, sentence, clause or phrase of the Indenture and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or

other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in the Indenture as summarized in this section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the bond registration books held by the Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the Authority or the Corporation or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the Corporation shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the Indenture as summarized in this section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the Corporation. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority and the Corporation shall specify in a certificate to the Trustee those Bonds disqualified pursuant to the Indenture as summarized in this section and the Trustee may conclusively rely on such certificate.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

Funds and Accounts. Any fund required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the requirements of the Indenture related to tax covenants (and the Tax Certificate) and for the protection of the security of the Bonds and the rights of every Holder thereof.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal (or redemption price) of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Indenture shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Governing Law; Venue. The Indenture shall be construed in accordance with and governed by the laws of the State applicable to contracts made and performed in the State. The Indenture shall be enforceable in the State, and any action arising under the Indenture shall (unless waived by the Authority in writing) be filed and maintained in the Superior Court of California, County of San Diego.

LOAN AGREEMENT

Findings, Representations, Covenants and Warranties

Representations and Warranties of the Authority. The Authority represents and warrants to the Corporation that, as of the date of execution of the Loan Agreement and as of the date of delivery of the Series 2018A Bonds to the initial purchasers thereof:

(a) The Authority is a joint exercise of powers agency duly organized and existing under the laws of the State and is duly authorized to issue the Series 2018A Bonds and to perform its obligations under the Loan Agreement.

(b) All requirements have been met and procedures have occurred in order to authorize the execution and delivery of the Loan Agreement. The Authority has taken all necessary action and has complied with all provisions of the law required to make the Loan Agreement a valid and binding limited obligation of the Authority, and the Loan Agreement is a valid and binding limited obligation of the Authority, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

(c) The Series 2018A Bonds have been duly authorized, executed and delivered by the Authority. Nothing in the Loan Agreement shall be construed as requiring the Authority to provide any financing for the Project other than the proceeds of the Series 2018A Bonds or to provide sufficient moneys for all of the cost of financing the Project.

(d) There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Authority that (i) affects or seeks to prohibit, restrain or enjoin the issuance, execution or delivery of the Series 2018A Bonds, the origination of the loan or the lending of the proceeds of the Series 2018A Bonds to the Corporation, or the execution and delivery of the Indenture or the Loan Agreement, (ii) affects or questions the validity or enforceability of the Series 2018A Bonds or the Indenture or the Loan Agreement or (iii) questions the tax-exempt status of interest on the Series 2018A Bonds.

Representations and Warranties of the Corporation. The Corporation represents and warrants to the Authority that, as of the date of execution of the Loan Agreement and as of the date of delivery of the Series 2018A Bonds to the initial purchasers thereof (such representations and warranties to remain operative and in full force and effect regardless of the issuance of the Series 2018A Bonds or any investigations by or on behalf of the Authority or the results thereof):

(a) The Corporation is a California nonprofit public benefit corporation duly incorporated and in good standing under the laws of the State, and has full legal right, power and authority to enter into the

Ground Lease, the Facility Lease, the Development Agreement and the Loan Agreement (the “Corporation Documents”), and to carry out all of its obligations under and consummate all transactions contemplated by the Loan Agreement and by the Corporation Documents, and by proper corporate action has duly authorized the execution, delivery and performance of the Corporation Documents.

(b) The officers of the Corporation executing the Corporation Documents are duly and properly in office and fully authorized to execute the same.

(c) The Corporation Documents have been duly authorized, executed and delivered by the Corporation.

(d) The Corporation Documents, when and to the extent assigned to the Trustee, will constitute the legal, valid and binding agreements of the Corporation enforceable against the Corporation by the Trustee in accordance with their terms for the benefit of the Holders, provided that any obligations of the Corporation not so assigned to the Trustee constitute the legal, valid, and binding agreements of the Corporation enforceable against the Corporation by the Authority in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(e) The execution and delivery of the Corporation Documents, the consummation of the transactions therein contemplated and the fulfillment of or compliance with the terms and conditions of the Loan Agreement and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the Articles of Incorporation of the Corporation, its bylaws, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Corporation Documents, or the financial condition, assets, properties or operations of the Corporation.

(f) No consent or approval of any trustee or holder of any indebtedness of the Corporation or any guarantor of indebtedness of or other provider of credit or liquidity of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or “blue sky” laws) is necessary in connection with the execution and delivery of the Corporation Documents, or the consummation of any transaction therein contemplated, or the fulfillment of or compliance with the terms and conditions of the Loan Agreement or thereof, except as have been obtained or made and as are in full force and effect.

(g) There is no action, suit, proceeding, inquiry or investigation, before or by any State or federal court or any State, municipal or other governmental authority, pending, or to the knowledge of the Corporation, after reasonable investigation, threatened, against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Corporation Documents, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, State, municipal or other governmental authority, which default might have consequences that would materially and adversely affect

the consummation of the transactions contemplated by the Corporation Documents, or the financial condition, assets, properties or operations of the Corporation. All tax returns (federal, State and local) required to be filed by or on behalf of the Corporation have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Corporation in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein. Subject to the Facility Lease, the Corporation enjoys the peaceful and undisturbed possession of all of the premises upon which the Project is to be located.

(h) No written information, exhibit or report furnished to the Authority by the Corporation in connection with the negotiation of the Corporation Documents contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) The Corporation has full power and authority to carry on its business as now being conducted and to enter into the Corporation Documents and the transactions contemplated therein.

(j) Except as provided in the Indenture and the Loan Agreement, the Corporation shall not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under the Loan Agreement and shall not establish any segregated reserve or similar fund for such purpose and shall not prepay any such amounts in advance of the redemption date of an equal principal amount of the Series 2018A Bonds.

(k) All representations, warranties and certifications made by the Corporation in connection with the delivery of the Series 2018A Bonds on the Closing Date, including, but not limited to, those representations, warranties and certifications contained in any certificate or agreement concerning the exclusion of interest on the Series 2018A Bonds from gross income for purposes of federal income taxation executed by the Corporation, are true, correct, and complete in all material respects as of the Closing Date.

(l) The Corporation has no material financial obligation under any indenture, mortgage, deed of trust, loan agreement, or other agreement or instrument to which the Corporation is a party or by which the Corporation is otherwise bound, other than the obligations under the Loan Agreement, obligations incurred under various financing and development documents entered into in connection with the financing of facilities located in the Orange County Civic Center Plaza known as Building 16 (the "Building 16 Financing Documents"), obligations subordinate to the Corporation's obligations under the Loan Agreement, and obligations incurred in the ordinary course of its operations.

(m) The Corporation has not borrowed or received other debt financing that has not been heretofore repaid in full other than with respect to the debt financing under the Loan Agreement, and under the Building 16 Financing Documents, and any debt financing of the Corporation that is subordinate to the Corporation's obligations under the Loan Agreement.

(n) The Corporation is in compliance in all material respects with all applicable Environmental Regulations.

(o) Neither the Corporation nor the Project is the subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation of or condition regulated by Environmental Regulations or to respond to a release of any Hazardous Substances into the environment.

(p) The Corporation does not have any material contingent liability in connection with the release of any Hazardous Substances into the environment, and has no material financial obligation under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Corporation is a party or by which the Corporation is otherwise bound, other than the obligations set forth in the Corporation Documents and the Building 16 Financing Documents, and other indebtedness evidenced by the Permitted Encumbrances.

Loan Financing; Loan Repayments; Indemnification; Construction Draws

Agreement to Issue Bonds and Application of Bond Proceeds. In order to fund the Loan and for the other purposes set forth in the Indenture, the Authority, concurrently with the execution of the Loan Agreement, will issue, sell and deliver the Series 2018A Bonds and direct the proceeds thereof to be deposited with the Trustee and applied as provided in the Indenture. The Authority and the Corporation agree that the proceeds of the Series 2018A Bonds shall be applied solely in accordance with the Indenture.

The Corporation approves the terms and provisions of the Indenture and, to the extent applicable, agrees to be bound by such terms.

The Loan; Loan Repayments; Additional Payments.

(a) *The Loan.* The Authority agrees, upon the terms and conditions specified in the Loan Agreement, to loan to the Corporation an amount equal to the principal amount of the Series 2018A Bonds and to deposit that portion of the proceeds received by the Authority from the sale of the Series 2018A Bonds with the Trustee for disposition as provided in the Indenture. The obligation of the Authority to make the Loan is limited solely to such sale proceeds of the Series 2018A Bonds received by the Authority and shall be deemed fully discharged upon the deposit of the proceeds of the Series 2018A Bonds with the Trustee pursuant to the Loan Agreement.

(b) *Loan Repayments.* The Corporation shall pay, or cause to be paid, solely from Gross Revenues, to or upon the order of the Authority as repayment of the Loan, the following amounts (which collectively constitute the “Loan Repayments”):

(i) an amount equal to the aggregate amount of interest payable by the Authority on the Outstanding Bonds on each Interest Payment Date; provided, however, interest paid from the Capitalized Interest Account shall be credited to the Loan Repayments due;

(ii) on or before each maturity date of the Bonds, an amount equal to the principal amount of the Bonds due on such date; and

(iii) on or before any redemption date, such amounts as shall, together with any other money available therefor under the Indenture, be sufficient to pay all amounts required to redeem the Series 2018A Bonds called for redemption pursuant to the provisions of the Indenture, including any related redemption premium.

The Loan Repayments and all other amounts provided in the Loan Agreement as summarized in this section, shall be payable in such lawful money of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. All deposits under the Loan Agreement shall be made at the corporate trust office of the Trustee, or at such other location as shall be designated in writing by the Trustee to the County and the Corporation.

The Corporation shall pay, or cause to be paid, the Loan Repayments from the Gross Revenues of the Corporation without any further notice thereof except as may be specifically required by the Loan Agreement as summarized in this section. The Loan Repayments payable by the Corporation under the Loan Agreement are expected to be equal in the aggregate to an amount which, together with other funds in the Revenue Fund then available for the payment of principal and interest on the Bonds, shall be sufficient to provide for the payment in full of the interest on, premium, if any, and principal of the Bonds as the same become due and payable.

(c) *Additional Payments.* In addition to the Loan Repayments, the Corporation shall also pay to the Authority or to the Trustee, as the case may be, “Additional Payments,” as defined in the Facility Lease (unless such Additional Payments are paid directly by the County to the Person or Persons entitled to such payments or for deposit to the appropriate fund or account held by the Trustee under the Indenture). Such Additional Payments to be made by the Corporation shall be payable solely from Gross Revenues.

(d) *Net Proceed Payments.* The Corporation shall pay, or cause to be paid, to the Authority or to the Trustee, as the case may be, the proceeds of rental interruption insurance and liquidated damages and delay damages, if any, under Section 7.2(b) and Section 8.13 of the Development Agreement attached as Appendix G to this Official Statement and subject to the terms of the Facility Lease, for deposit by the Trustee upon receipt thereof in the Revenue Fund.

(e) *Failure to Make Payments.* In the event that Gross Revenues are insufficient to pay, or the Corporation shall fail to deposit, or fail to cause to be deposited, with the Trustee such Gross Revenues sufficient to pay any Loan Repayments, Additional Payments or other payments required under the Loan Agreement, the Loan Repayments, Additional Payments or other payments required under the Loan Agreement not paid shall continue to be an obligation under the Loan Agreement of the Corporation until the amount not paid shall have been fully paid; provided any such Loan Repayments or Additional Payments or other payments required under the Loan Agreement shall be paid solely from Gross Revenues.

The obligation of the Corporation to make the payments as required in the Loan Agreement as summarized in this section, and to perform and observe any and all of the other covenants and agreements on its part contained in the Loan Agreement, shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment, or counterclaim which the Corporation may otherwise have against the Authority; provided the sole source of payment of any such amounts shall be Gross Revenues. The Corporation shall not: (1) suspend, discontinue, or abate any payment required by the Loan Agreement as summarized in this section (except as expressly provided in the Loan Agreement); (2) fail to observe any of its other covenants or agreements in the Loan Agreement; or (3) terminate the Loan Agreement for any cause whatsoever (except as provided in the Loan Agreement as summarized herein under the caption “LOAN AGREEMENT – Prepayment – Prepayment of the Loan”), including without limiting the generality of the foregoing, any declaration or finding that the Series 2018A Bonds, the Indenture, or any portion of the Loan Agreement are invalid or unenforceable, and, any failure of the Authority to perform and observe any agreement, whether expressed or implied, or any duty, liability, or obligation, arising out of or in connection with the Loan Agreement or otherwise.

(f) *Pledge of Gross Revenues.*

(i) As provided in the Facility Lease, the Corporation has directed the County to pay Base Rental Payments directly to the Trustee and the Corporation covenants and agrees that, so long as any of the Series 2018A Bonds remain Outstanding, all of the Gross Revenues shall be deposited directly with the Trustee. Should the Corporation itself receive any Base Rental Payments, the Corporation covenants and agrees that, so long as any of the Series 2018A Bonds

remain Outstanding, the Corporation shall immediately transfer such Gross Revenues to the Trustee.

(ii) Subject only to the provisions of the Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Loan Agreement, the Corporation, pledges, and to the extent permitted by law grants a security interest to the Trustee in, all of the Gross Revenues of the Corporation to secure the Loan Repayments and the Additional Payments and the performance by the Corporation of its other obligations under the Loan Agreement. The Corporation agrees to take any other action as may be necessary or reasonably requested by the Trustee or the Authority in order to perfect or maintain as perfected such security interest or give public notice thereof.

(iii) The Corporation further agrees that a failure to comply with the terms of the Loan Agreement as summarized in this section shall cause irreparable harm to the Holders from time to time of the Series 2018A Bonds, and shall entitle the Trustee, as assignee of the Authority, with or without notice to the Corporation, to take immediate action to compel the specific performance of the obligations of the Corporation as provided in the Loan Agreement as summarized in this section.

Costs of Issuance and Other Expenses. In addition to the payments required to be paid by the Corporation under the Loan Agreement, the Corporation agrees that it shall pay from the proceeds of the Series 2018A Bonds or Gross Revenues all Costs of Issuance of the Bonds. The Corporation agrees that it also shall pay all expenses incurred by it, including the expenses of its counsel.

The Corporation acknowledges that certain provisions of the Indenture set forth Administrative Fees and Expenses of the Trustee as the amount of annual compensation and reimbursement payable from funds held under the Indenture to the Trustee. In the event that the Trustee incurs fees and expenses in the course of performing its duties in excess of Administrative Fees and Expenses or in excess of the funds available for the payment thereof under the Indenture, the Corporation agrees to compensate and reimburse the Trustee from Gross Revenues for Administrative Fees and Expenses and for any extraordinary fees and expenses, which compensation to the Trustee shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust.

The Corporation covenants and agrees to pay and indemnify the Authority and the Trustee, against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Trustee, without negligence) and arising out of or in connection with the Corporation Documents, the Series 2018A Bonds or the Indenture. These obligations and those in the Loan Agreement as summarized herein under the caption “LOAN AGREEMENT – Loan Financing; Loan Repayments; Indemnification; Construction Draw – Indemnification” shall remain valid and in effect notwithstanding repayment of the Loan under the Loan Agreement or the Series 2018A Bonds or termination of the Loan Agreement or the Indenture or resignation or removal of the Trustee, but shall be payable solely from Gross Revenues.

Assignment of Authority’s Rights. As security for the payment of the Series 2018A Bonds, the Authority in the Indenture assigns to the Trustee certain of the Authority’s rights under the Loan Agreement, including the right to receive payments under the Loan Agreement, but excluding any deposits to the Rebate Fund; and the Corporation assents to such assignment and agrees that all Gross Revenues shall be paid directly to the Trustee, without defense or set off by reason of any dispute between the Corporation and the Authority or the Trustee. By virtue of such assignment and certain obligations of the Corporation to the Trustee, the Trustee shall be a third party beneficiary of the Loan Agreement and shall have the right to enforce the obligations of the Corporation under the Loan Agreement, subject to the limitations of the Loan

Agreement, including the limitations in the Loan Agreement as summarized herein under the caption “LOAN AGREEMENT – Loan Financing; Loan Repayments; Indemnification; Construction Draw – The Loan; Loan Repayments; Additional Payments.”

Indemnification. To the fullest extent permitted by law, the Corporation agrees to indemnify, hold harmless and defend the Authority, the Trustee, and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (collectively, the “Indemnified Parties”), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Series 2018A Bonds, the Indenture, the Corporation Documents or the Tax Certificate or the execution or amendment of the Loan Agreement or thereof or in connection with transactions contemplated thereby, including the issuance, sale or resale of the Series 2018A Bonds;

(ii) any act or omission of the Corporation or the County or any of their agents, contractors, servants, employees, tenants or licensees in connection with the Loan, the Project or the Facility Lease, the operation of the Project or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or any part thereof;

(iii) any lien or charge upon payments by the Corporation to the Authority and the Trustee under the Loan Agreement, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Project;

(iv) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances from the Project or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Series 2018A Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering or disclosure document or disclosure or continuing disclosure document for the Series 2018A Bonds or any of the documents relating to the Series 2018A Bonds, or any omission or alleged omission from any offering or disclosure document or disclosure or continuing disclosure document for the Series 2018A Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, or any failure to timely file any continuing disclosure document in connection with the Series 2018A Bonds required by any undertaking or by any applicable law, rule or regulation;

(vii) any declaration of taxability of interest on the Series 2018A Bonds, or allegations that interest on the Series 2018A Bonds is taxable or any regulatory audit or inquiry regarding whether interest on the Series 2018A Bonds is taxable; and

(viii) the Trustee’s acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Series 2018A Bonds to which it is a party;

except (A) in the case of the foregoing indemnification of the Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Authority or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under the Loan Agreement, the Corporation, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Corporation shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Corporation if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

The rights of any persons to indemnity under the Loan Agreement and rights to payment of fees and reimbursement of expenses pursuant to the Loan Agreement shall survive the final payment or defeasance of the Series 2018A Bonds and in the case of the Trustee any resignation or removal. The provisions of the Loan Agreement as summarized in this section shall survive the termination of the Loan Agreement.

Any amounts to be paid by the Corporation described under this section of the Loan Agreement shall be payable solely from Gross Revenues.

Construction Draws. The Corporation may draw the amounts from the Project Fund for construction advances subject to the requirements of the Indenture and the Loan Agreement, upon submission to the Trustee of a Requisition of the Corporation, pursuant to the Indenture. The Authority makes no express or implied warranty that the moneys deposited in the Project Fund and available for payment of the Project costs under the provisions of the Loan Agreement, will be sufficient to pay all the amounts which may be incurred for such Project costs. The Corporation agrees that if, after exhaustion of the moneys in the Project Fund, the Corporation should pay, or deposit moneys in the Project Fund for the payment of, any portion of the Project costs pursuant to the provisions of the Loan Agreement as summarized in this section, it shall not be entitled to any reimbursement therefor from the Authority, the Trustee or the Holders of any of the Series 2018A Bonds, nor shall it be entitled to any diminution of the amounts payable under the Loan Agreement. Upon completion of the Project, the Corporation shall file with the Trustee and the Authority the Certificate of Final Completion (as defined in the Indenture) with respect to the Project pursuant to the Indenture.

Construction and Lease of Project

Construction Authorization and Permits. The Corporation shall obtain all authorizations and permits relating to construction of the Project that are necessary to complete the Project from all applicable governmental authorities.

Facility Lease. If any Series 2018A Bonds are Outstanding, the Corporation may not voluntarily terminate the Facility Lease prior to completion of its stated terms nor amend the Facility Lease to result in an earlier end of its stated term; provided nothing in the Loan Agreement as summarized in this section limits the exercise of any remedy provided in the Facility Lease in the event of default by the County.

Lease of the Leased Property. The Corporation shall not lease the Leased Property as lessor except pursuant to the Facility Lease.

Additional Covenants and Agreements of Corporation

Inspection of Books. (a) The Authority and the Trustee shall have the right, but not obligation, upon reasonable notice, during business hours, to examine and audit any and all of the Corporation's records or accounts pertaining to the Loan, the Facility Lease, the Indenture, and the Loan Agreement.

(b) Upon written notice to the Corporation delivered at least five Business Days in advance of an inquiry, the Corporation shall make its management personnel available for periodic inquiries from the Authority; provided that the Corporation shall not be obligated to incur any material out of pocket costs in connection with such meetings or inquiries.

Reports and Information. At the request of the Authority or the Trustee, their agents, employees or attorneys, the Corporation shall furnish to the Authority and the Trustee, such information as may be reasonably requested in writing from time to time relative to compliance by the Corporation with the provisions of the Loan Agreement.

Notice. Upon obtaining knowledge of an Event of Default under any Corporation Document, the Corporation agrees to provide to the Trustee and to the Authority notice of such Event of Default (such notice to include a description of the nature of such event and what steps are being taken to remedy such Event of Default).

Reliance. The Corporation recognizes and agrees that the representations and covenants set forth in the Loan Agreement may be relied upon by all Persons interested in the legality and validity of the Series 2018A Bonds and in the exclusion from gross income for federal income taxation of the interest on the Series 2018A Bonds including, without limitation, the Trustee for the benefit of the Holders of the Series 2018A Bonds. In performing their duties and obligations under the Loan Agreement, the Trustee may rely upon statements and certificates of the Corporation believed in good faith to be genuine and upon audits of the books and records of the Corporation pertaining to the Loan. The Trustee, in its name or as assignee of the Authority, may, for and on behalf of the Bondholders, enforce all rights of the Authority which have been assigned to and are held by the Trustee and all obligations of the Corporation under and pursuant to the Loan Agreement, whether or not the Authority has pursued or attempted to enforce any of such rights and obligations. In addition, the Authority and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Authority or the Trustee under the Loan Agreement in good faith and in conformity with the opinion of such counsel. In determining whether any default or lack of compliance by the Corporation exists under the Loan Agreement, none of the Trustee or the Authority shall be required to conduct any investigation into or review of the operations or records of the Corporation and may rely solely upon any notice or certificate delivered to the Trustee by the Corporation with respect to the occurrence or absence of a default.

Tax Covenants.

(a) It is the intention of the Corporation that interest on the Series 2018A Bonds shall be and remain excluded from the gross income of the owners thereof for federal income tax purposes, and to that end the covenants and agreements of the Corporation in the Loan Agreement as summarized in this section and in the Tax Certificate are for the benefit of the Trustee on behalf of and for each and every owner of the Series 2018A Bonds.

(b) The Corporation covenants and agrees that it will not use or permit the use of any of the funds provided by the Authority under the Loan Agreement or any other funds of the Corporation, directly or indirectly, or direct the Trustee to invest any funds held by it under the Loan Agreement or under the Indenture, in such manner as would, or enter into, or allow any “related person” (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, that would, or take or omit to take any other action that would cause any Series 2018A Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code or “federally guaranteed” within the meaning of Section 149(b) of the Code and applicable regulations promulgated from time to time thereunder.

(c) In the event that at any time the Corporation is of the opinion or becomes otherwise aware, including from the County, that for purposes of the Loan Agreement as summarized in this section or the Indenture as summarized herein under the caption “INDENTURE – Particular Covenants – Tax Covenants,” it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Corporation shall determine the limitations and so instruct the Trustee in writing and cause the Trustee to comply with those limitations under the Indenture. The Corporation will take such action or actions as may be reasonably necessary in the opinion of Bond Counsel, or of which it otherwise becomes aware, to comply fully with Section 148 of the Code.

(d) The Corporation shall not, pursuant to an arrangement, formal or informal, purchase Series 2018A Bonds in an amount related to the amount of the Loan, except as otherwise permitted under the Indenture.

(e) In order to maintain the exclusion of interest on the Series 2018A Bonds from the gross income of the owners thereof for federal income purposes and to assure compliance with the laws of the State, the Corporation agrees that it shall, concurrently with or before the execution and delivery of the Series 2018A Bonds, execute and deliver the Tax Certificate, and shall comply with every term of the Tax Certificate. The Corporation covenants with the Authority, for the benefit of the owners of the Series 2018A Bonds from time to time outstanding, that so long as any Series 2018A Bonds remain Outstanding, moneys on deposit in any fund, or account in connection with the Series 2018A Bonds, whether or not such moneys were derived from the proceeds of the sale of the Series 2018A Bonds or from any other sources, and moneys pledged directly or indirectly to the payment or for the securing of the Series 2018A Bonds, will not be used by or for the Corporation in a manner that will cause the Series 2018A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. The Corporation expressly recognizes that, to the extent required by Section 148 of the Code, “proceeds” of the Series 2018A Bonds (including investment proceeds and “replacement” proceeds) may be required to be invested at a yield not exceeding the yield on the Series 2018A Bonds in order to comply with the Loan Agreement as summarized in this section. In furtherance of the covenant in the Loan Agreement as summarized in this section, the Corporation agrees that it will not direct any investments or reinvestments that would contravene either the investment representations made by the Authority in the Tax Certificate or any investment directions provided by the Authority and deemed reasonably necessary in the opinion of Bond Counsel to preserve the exclusion from gross income of interest on the Series 2018A Bonds for federal income tax purposes.

(f) In the event of any conflict between the terms of the Loan Agreement and the requirements of the Tax Certificate, the Tax Certificate shall control.

Warranty of Truth. The Corporation covenants that no information, certificate, statement in writing or report required by the Loan Agreement, any other Corporation Documents or otherwise furnished by the Corporation to the Authority or the Trustee shall contain any untrue statement of a material fact or omit a material fact necessary to make such information, certificate, statement or report not misleading as it relates to the Corporation.

Sufficiency of Gross Revenues. The Corporation confirms that its Gross Revenues are expected to be made in an amount sufficient (without any other borrowing) to pay all Loan Repayments.

Indenture Provisions. The execution and delivery of the Loan Agreement shall constitute conclusive evidence of approval of the Indenture by the Corporation. Whenever the Indenture by its terms imposes a duty or obligation upon the Corporation, such duty or obligation shall be binding upon the Corporation to the same extent as if the Corporation were an express party to the Indenture, and the Corporation shall carry out and perform all of its obligations under the Indenture as fully as if the Corporation were a party to the Indenture.

Compliance with Laws. The Corporation will comply in all material respects with all laws, statutes, ordinances, regulations, covenants, conditions and restrictions affecting the Corporation or its operations, and it will not commit, suffer or permit any act to be done in violation of any law, ordinance or regulation, except, in each case, where such noncompliance or act would not have a material adverse effect upon the Corporation's assets, operations or financial condition or upon the Series 2018A Bonds.

Qualification in California. The Corporation agrees that throughout the term of the Loan Agreement it, or any successor, will be qualified to do business in the State of California as a nonprofit public benefit corporation.

Defaults and Remedies

Events of Default. Any one of the following which occurs and continues shall constitute an Event of Default under the Loan Agreement:

(a) failure by the Corporation to cause Gross Revenues received by it to be deposited with the Trustee resulting in the Loan Repayments not being paid when due, or

(b) failure by the Corporation to cause Gross Revenues received by it to be deposited with the Trustee resulting in a failure to pay any other amounts required to be paid under the Loan Agreement and continuation of such failure to pay for ten (10) Business Days following the giving of written notice thereof to the Corporation; or

(c) failure of the Corporation to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Loan Agreement (other than failure by the Corporation to pay the amounts required to be paid under the Loan Agreement, as referred to in subparagraphs (a) or (b) summarized above, and other than as provided in subparagraph (d) summarized below) after the Corporation shall have been given 30 days' written notice specifying such default and requesting it be remedied, unless the Trustee shall have consented to an extension beyond such 30 day period, which extension shall not exceed 90 days; provided that the Corporation shall have commenced cure and be diligently pursuing cure in good faith; or

(d) voluntary initiation by the Corporation of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Corporation of any such proceeding that shall remain undismissed for 60 calendar days, or failure by the Corporation to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Corporation to carry on its operations, or assignment by the Corporation for the benefit of creditors, or the entry by the Corporation into an agreement of composition with creditors or the failure generally by the Corporation to pay its debts as they become due;

(e) occurrence and continuance of an “Event of Default” under the Indenture, provided, however, that an Event of Default under the Indenture arising solely from the actions or inactions of the Authority or the Trustee shall not be an Event of Default under the Loan Agreement;

(f) occurrence and continuance of an “Event of Default” under any of the Corporation Documents, including an “event of default” under the Facility Lease as summarized herein under paragraphs (a) or (b) under the caption “FACILITY LEASE – Default; Remedies – Events of Default and Remedies”; or

(g) any representation or warranty made in the Loan Agreement or any statement or representation made by the Corporation in any certificate, report, opinion, financial statement or other instrument furnished in connection with the Loan or any of the Corporation Documents proves to be false or misleading in any material respect when made.

Remedies.

(a) Upon the occurrence of an Event of Default pursuant to the Loan Agreement and at any time thereafter during the continuance of such Event of Default, the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Loan Agreement, or to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Loan Agreement, the Series 2018A Bonds or any other Corporation Document.

Any amounts collected pursuant to action taken by the Trustee under the Loan Agreement as summarized in this section shall be applied in accordance with provisions of the Indenture.

(b) If the Trustee shall have proceeded to enforce the rights of the Authority under the Loan Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Authority, then the Corporation, the Trustee and the Authority shall be restored respectively to their several positions and rights under the Loan Agreement, and all rights, remedies and powers of the Corporation, the Authority and the Trustee shall continue as though no such proceedings had taken place.

Additional Remedies. In addition to the above remedies, if an Event of Default occurs under the Loan Agreement, the Authority and the Trustee shall have the right and remedy, without posting bond or other security, to have the provisions of the Loan Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach will cause irreparable injury to the Trustee and the Authority and that money damages will not provide an adequate remedy thereto.

No Remedy Exclusive. No remedy conferred upon or reserved to the Authority in the Loan Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Loan Agreement or existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Authority to exercise any remedy reserved to it in the Loan Agreement, it shall not be necessary to give notice, other than such notice as may be required in the Loan Agreement. Such rights and remedies as are given the Authority under the Loan Agreement shall also extend to Trustee on behalf of the Holders of the Series 2018A Bonds, who shall be entitled to the benefit of all covenants and agreements contained in the Loan Agreement.

No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in the Loan Agreement should be breached by the Corporation and thereafter waived by the Authority or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Loan Agreement.

Agreement to Pay Fees and Expenses Upon Default. In the event the Corporation is in default under any provision of the Loan Agreement or causes an event of default under the other Corporation Documents, the Corporation shall be liable to, and upon demand shall pay to, the Authority and the Trustee all reasonable fees and disbursements of such Persons and their agents (including attorneys' fees and expenses) that are reasonably connected therewith or incidental thereto, except with respect to the Trustee and the Authority, such payment obligation shall be reduced to the extent such fees and disbursements are paid to the Trustee and the Authority from money available therefor under the Indenture. Any amounts to be paid by the Corporation described in this section shall be payable solely from Gross Revenues.

Prepayment

Prepayment of the Loan.

(a) *General.* As further described below, the Corporation shall have the right, so long as all amounts which have become due under the Loan Agreement have been paid, at any time or from time to time to prepay all or any part of its Loan Repayments and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash or surrender of Series 2018A Bonds. All such prepayments (and the additional payment of any amount necessary to pay the applicable redemption price, if any, payable upon the redemption of Series 2018A Bonds) shall be deposited upon receipt in the applicable account of the Redemption Fund and, at the request of and as determined by the Corporation, credited against payments due under the Loan Agreement or used for the redemption of Outstanding Series 2018A Bonds in the manner and subject to the terms and conditions set forth in the Indenture or as provided in any Supplemental Indenture. The Corporation also shall have the right to surrender Series 2018A Bonds acquired by it in any manner whatsoever to the Trustee for cancellation, and such Series 2018A Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired. Notwithstanding any such prepayment or surrender of Series 2018A Bonds, as long as any Series 2018A Bonds remain Outstanding or any Additional Payments required to be made under the Loan Agreement remain unpaid, the Corporation shall not be relieved of its obligations under the Loan Agreement.

(b) *Prepayment in Whole or in Part.* The Loan may be prepaid in whole or in part at any time by delivering to the Trustee amounts sufficient to defease a like principal amount of Series 2018A Bonds to their optional redemption date pursuant to the Indenture, or as provided in any Supplemental Indenture.

(c) *Prepayment in Whole or in Part from Amounts Transferred from Insurance and Condemnation Proceeds.* The Loan may be prepaid in whole or in part at any time in a principal amount corresponding to amounts transferred from the Insurance Proceeds and Condemnation Awards Fund to the Special Redemption Account of the Redemption Fund for application pursuant to the Indenture, or as provided in any Supplemental Indenture, and used to redeem Series 2018A Bonds at the option of the Corporation pursuant to the Indenture.

Redemption of Series 2018A Bonds Upon Prepayment. Upon prepayment of the Loan as provided in the Loan Agreement, the Trustee shall do any of the following, as applicable: (1) call all or part of the Series 2018A Bonds for redemption, as required by the Indenture in the respective amounts set forth in the applicable paragraph of the Indenture, or as provided in any Supplemental Indenture, and (2) provide for the defeasance of Series 2018A Bonds pursuant to the Indenture.

Amount of Prepayment. In the event of any prepayment pursuant to the Loan Agreement as summarized herein under the caption “LOAN AGREEMENT – Prepayment – Prepayment of the Loan,” the amount of the Loan deemed to be prepaid shall be equal to the principal amount of Series 2018A Bonds defeased or redeemed as described in the Indenture, or as provided in any Supplemental Indenture. In the case of prepayment of the Loan in full, the Corporation shall pay to the Trustee an amount sufficient, together with other funds held by the Trustee and available for such purpose, to pay all reasonable and necessary fees and expenses (including attorneys’ fees) of the Authority, the Trustee and any paying agent accrued and to accrue through final payment of the Series 2018A Bonds and all other liabilities of the Corporation accrued and to accrue under the Loan Agreement and shall pay to the Authority an amount required by the Loan Agreement as summarized herein under the caption “LOAN AGREEMENT – Loan Financing; Loan Repayments; Indemnification; Construction Draw – The Loan; Loan Repayments; Additional Payments.” In the case of partial prepayment of the Loan, the Corporation shall pay or cause to be paid to the Trustee an amount sufficient, together with other funds held by the Trustee and available for such purpose, to pay expenses of redemption of the Series 2018A Bonds to be redeemed upon such prepayment.

The Corporation agrees that it will not prepay the Loan or any part thereof, except in amounts sufficient to redeem Series 2018A Bonds in Authorized Denominations.

Miscellaneous

Notice. All notices, certificates or other communications under the Loan Agreement shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or by messenger or overnight delivery service or by Electronic Notice, to the notice addresses set forth in the Indenture. A duplicate copy of each notice, certificate or other communication given under the Loan Agreement by the Authority or the Corporation shall also be given to the Trustee. The Authority, the Corporation and the Trustee may, by notice given under the Loan Agreement, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Concerning Successors and Assigns. All covenants, agreements, representations and warranties made in the Loan Agreement and in the certificates delivered pursuant to the Loan Agreement shall survive the execution and delivery of the Loan Agreement by the Authority and the Corporation. Whenever in the Loan Agreement any of the parties to the Loan Agreement is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Corporation that are contained in the Loan Agreement shall bind its successors and assigns and inure to the benefit of the successors and assigns of the Authority.

Governing Law; Venue. The Loan Agreement shall be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in California. The Loan Agreement shall be enforceable in the State of California, and any action arising under the Loan Agreement shall (unless waived by the Authority in writing) be filed and maintained in the Superior Court of California, County of San Diego.

Amendments; Modifications in Writing. Except as otherwise provided in the Loan Agreement or the Indenture, subsequent to the initial issuance of Series 2018A Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Indenture, the Loan Agreement may be effectively amended, changed, modified, altered or terminated only as permitted under the Indenture, by written instrument executed by the parties to the Loan Agreement and the County. The Authority agrees that it will not consent to an amendment of the Indenture without the approval of the Corporation and the County.

Severability. In the event any provision of the Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Loan Agreement.

Effective Date and Term. The Loan Agreement shall become effective upon its execution and delivery by the Parties to the Loan Agreement, shall remain in full force from the date thereof and, subject to the provisions of the Loan Agreement, shall continue in effect as long as any of the Series 2018A Bonds are outstanding or the Trustee holds any money under the Indenture.

Non Liability of Authority; Liability of Corporation Limited to Gross Revenues. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Series 2018A Bonds, except from Loan Repayments and other moneys and assets received by the Trustee pursuant to the Loan Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof (nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) or interest on the Series 2018A Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Loan Agreement, the Series 2018A Bonds, the Corporation Documents or the Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under the Loan Agreement.

The Corporation acknowledges that the Authority's sole source of moneys to repay the Series 2018A Bonds (whether by maturity, redemption, acceleration or otherwise) will be provided by the Loan Repayments made by the Corporation to the Trustee pursuant to the Loan Agreement, together with amounts on deposit in and investment income on certain funds and accounts held by the Trustee under the Indenture. The Corporation agrees that if the payments to be made under the Loan Agreement shall ever prove insufficient to pay all principal (or redemption price) and interest on the Series 2018A Bonds as the same shall become due then upon notice from the Trustee, the Corporation shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Corporation, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor; provided, however, that the Corporation and the Authority each acknowledge and agree that the obligations of the Corporation under the Loan Agreement, including all payment obligations under the Loan Agreement, are payable solely from Gross Revenues; and provided further, that any insufficiency in the amount of Gross Revenues to make required payments under the Loan Agreement will not, in itself, constitute an Event of Default under the Loan Agreement.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority or any director, officer, agent or employee of the Corporation, or the County shall be individually or personally liable for the payment of any principal (or redemption price) of or interest on the Series 2018A Bonds or any other sum under the Loan Agreement or under the Indenture or be subject to any personal liability or accountability by reason of the execution and delivery of the Loan Agreement; but nothing contained in the Loan Agreement shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by the Loan Agreement.

No Prevailing Party Provision. Nothing in the Loan Agreement shall be construed to provide for award of attorneys' fees and costs to the Authority or the Corporation for the enforcement of the Loan Agreement as described in Section 1717 of the Civil Code. Nothing in the Loan Agreement as summarized in this section affects the rights of the Trustee provided in the Loan Agreement.

Binding Effect. The Loan Agreement shall inure to the benefit of and shall be binding upon the Authority, the Trustee, the Corporation and their respective successors and assigns, subject, however, to the limitations contained in the Loan Agreement.

FACILITY LEASE

The Leased Property; Term of the Facility Lease

Lease of the Leased Property. The Corporation leases to the County, and the County rents and hires from the Corporation, the Leased Property on the conditions and terms set forth in the Facility Lease. The County, pursuant to the Facility Lease, agrees and covenants that during the term of the Facility Lease, except as provided in the Facility Lease, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated by the Facility Lease and so as to permit the Corporation to carry out its agreements and covenants contained in the Facility Lease, in the Loan Agreement and in the Indenture, and the County further agrees and covenants that during the term of the Facility Lease that it will not abandon the Leased Property.

Right of Entry and Inspection. The Corporation shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Corporation's rights or obligations under the Facility Lease and for all other lawful purposes.

Prohibition Against Encumbrance or Sale. The County and the Corporation will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances. The County and the Corporation will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided in the Facility Lease. Notwithstanding anything to the contrary contained in the Facility Lease, the County may assign, transfer or sublease any and all of the Leased Property or its other rights under the Facility Lease, provided that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Corporation under the Facility Lease, (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations under the Facility Lease, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in any other section of the Facility Lease, and (d) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted under the Facility Lease by an amendment to the Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

Liens. In the event the County shall at any time during the term of the Facility Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the County shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Corporation's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Corporation's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the County shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County shall forthwith pay and discharge or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Corporation and its assignee and its directors, officers and

employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Corporation's interest therein.

Substitution or Removal of Leased Property.

(a) The County and the Corporation may amend the Facility Lease and the Ground Lease in writing from time to time by mutual agreement of the parties to the Facility Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property upon compliance with all of the conditions set forth in subsection (b) below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Facility Lease and under the Ground Lease.

(b) No Substitution or Removal shall take place under the Facility Lease until the County delivers to the Corporation and the Trustee the following:

(i) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(ii) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal (which commercially reasonable evidence may include, but not necessitate, appraisals undertaken by appraisers who are employed by the County or independent of the County, or other information provided to or maintained by the County), which determination shall be final and conclusive; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

(iii) An Opinion of the County Counsel of the County to the effect that the amendments to the Facility Lease and to the Ground Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Corporation enforceable in accordance with their terms;

(iv) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the principal portion of the then-remaining Base Rental Payments payable under the Facility Lease multiplied by a fraction, the numerator of which is that portion of the principal portion of the then-remaining Base Rental Payments payable under the Facility Lease attributable to the Substituted Property and the denominator of which is the principal portion of the then-remaining Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Holders of the Series 2018A Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(v) In the event of a Substitution, the Corporation and the County shall consent in writing and certify to the Trustee that such exceptions and Permitted Encumbrances, if any, contained in the title insurance policy referred to in (iv) above will not materially impair the leasehold interests of the Corporation or the beneficial use and occupancy of the Substituted Property described in such policy by the County and will not result in an abatement of Base Rental Payments payable by the County under the Facility Lease;

(vi) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Series 2018A Bonds to be includable in gross income of the owners thereof for federal income tax purposes; and

(vii) Evidence that the County has complied with the covenants contained in clauses (i), (ii) and (iii) summarized herein under the caption “THE FACILITY LEASE – Maintenance Operation and Use; Taxes; Insurance and Other Charges – Insurance,” with respect to the Substituted Property.

Commencement of the Facility Lease. The effective date of the Facility Lease is the Closing Date, and the term of the Facility Lease shall end on the Expiry Date, unless such term is extended or sooner terminated as provided in the Facility Lease. If on the Expiry Date, the rental payable under the Facility Lease shall not be fully paid, payment obligations under the Loan Agreement shall not be fully paid and satisfied, and all Series 2018A Bonds shall not be fully paid and retired, then the term of the Facility Lease shall be extended, to the extent permitted by law, until ten days after the rental payable under the Facility Lease shall be fully paid, payment obligations under the Loan Agreement shall be fully paid and satisfied, and all Series 2018A Bonds shall be fully paid, except that the term of the Facility Lease shall in no event be extended beyond June 1, 2058. If prior to the Expiry Date, the rental payable under the Facility Lease shall be fully paid, payment obligations under the Loan Agreement shall be fully paid and satisfied, and all Series 2018A Bonds shall have been fully paid, or deemed fully paid, in accordance with the Indenture, the term of the Facility Lease shall thereupon terminate.

Use of Proceeds; Tax Covenants

Use of Proceeds. The parties to the Facility Lease agree that the proceeds of the Series 2018A Bonds will be used by the Corporation to pay Construction Costs with respect to the Leased Property, pay capitalized interest on the Series 2018A Bonds, and to pay the costs of executing and delivering the Series 2018A Bonds and incidental and related expenses. The Project will be developed and constructed in accordance with the provisions and requirements of the Development Agreement.

Tax Covenants.

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Series 2018A Bonds pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the Series 2018A Bonds or any other funds of the County or take or omit to take any action that would cause the Series 2018A Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of the Series 2018A Bonds and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; provided, that if the County shall obtain an Opinion of Counsel to the effect that any action required under the Facility Lease as summarized in this section is no longer required, or to the effect that some further

action is required, to maintain the exclusion from gross income of the interest on the Series 2018A Bonds pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions of the Facility Lease. In the event that at any time the County is of the opinion that for purposes of the Facility Lease as summarized in this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise the County shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

(b) To the ends covenanted in the Facility Lease as summarized in this section, the County specifically, pursuant to the Facility Lease, agrees to ensure that the following requirements are met:

(i) The Leased Property (determined both on the basis of space and on the basis of cost) shall not be used in the trade or business of one or more nongovernmental persons, except to the extent allowed under the Tax Certificate.

(ii) The County will not permit the investment of proceeds of the Series 2018A Bonds at a yield in excess of the yield on the Series 2018A Bonds, except to the extent allowed under the Tax Certificate.

(iii) The County will rebate or cause to be rebated any amounts due to the federal government, as provided in the Tax Certificate.

Rental Payments

Base Rental Payments. In consideration for the construction of the Project and the rental of the Leased Property, the County agrees to pay to the Corporation, its successors or assigns, without deduction or offset of any kind, as rental in connection with the Leased Property, the following amounts at the following times:

(a) *Base Rental.* Subject to the immediately following sentence, the County shall pay to the Corporation rental under the Facility Lease as Base Rental Payments in connection with the Leased Property for each Bond Year or portion thereof, at the times and in the amounts set forth in the Base Rental Payment Schedule attached to the Facility Lease, and made a part of the Facility Lease. Notwithstanding the foregoing or any other provision of the Facility Lease to the contrary, until such time as a Certificate of Substantial Completion has been delivered to the Trustee, the County's obligation to pay Base Rental Payments shall be limited solely to amounts on deposit in the Revenue Fund established under the Indenture (including, without limitation, the Capitalized Interest Account established pursuant to the Indenture), and if the Revenue Fund has been depleted, the County shall have no obligation to make any Base Rental Payments from any other source.

If the term of the Facility Lease shall have been extended pursuant to the Facility Lease, Base Rental Payment installments shall continue to be payable on the Base Rental Payment Dates, continuing to and including the date of termination of the Facility Lease. Upon such extension of the Facility Lease, the County shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish annual Base Rental Payments at the lesser of (i) an amount sufficient to pay all unpaid principal and interest on the Series 2018A Bonds for each Bond Year on or prior to such extended date of termination of the Facility Lease, and (ii) the fair rental value of the Leased Property in each such Bond Year or portion thereof.

(b) *Additional Payments.* The County shall also pay in addition to the Base Rental Payments, to the Corporation, the Authority or the Trustee, as provided in the Facility Lease, such amounts

("Additional Payments") in each year as shall be required for the payment of all costs and expenses as follows:

(i) All taxes and assessments of any type or character charged to the Corporation, the Authority or to the Trustee affecting the amount available to the Corporation, the Authority or the Trustee from payments to be received under the Facility Lease or in any way arising due to the transactions contemplated by the Facility Lease (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding any taxes based upon the capital and/or income of the Trustee, the Corporation or any other person other than the County; provided, however, that the County shall have the right to protest any such taxes or assessments and to require the Authority, the Corporation or the Trustee, as the case may be, at the County's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the County shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would materially adversely affect the rights or interests of the Authority, the Corporation or the Trustee;

(ii) The reasonable annual (or other regular) fees and expenses of the Trustee, and all reasonable fees, charges and expenses of the Trustee for any extraordinary services rendered by the Trustee under the Indenture, including without limitation any amounts payable to the Trustee by the Authority from Additional Payments pursuant to the Indenture, as and when the same become due and payable;

(iii) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority, the Corporation or the Trustee to prepare audits, financial statements or opinions or provide such other services as are reasonably required under the Facility Lease, the Loan Agreement, the Indenture or the Tax Certificate;

(iv) The reasonable expenses of the Authority in connection with the loan to the Corporation of the proceeds of the Series 2018A Bonds under the Loan Agreement or any other documents contemplated thereby, including without limitation reasonable expenses incurred in connection with any litigation which may at any time be instituted involving such loan or the Loan Agreement, the Facility Lease, the Series 2018A Bonds, the Indenture or any other documents contemplated thereby and reasonable expenses incurred by the Authority in supervision and inspection of the County and its operations with respect to the use of the proceeds of the Series 2018A Bonds; and

(v) Such amounts as may be necessary to satisfy the rebate requirements in accordance with the Tax Certificate.

The Authority Issuance Fee shall be paid to the Authority as a Cost of Issuance on the Closing Date.

Other Additional Payments shall be billed to the County by the Authority, the Corporation or the Trustee from time to time, together with (i) a statement executed by a duly authorized officer or agent of the Authority, the Corporation or the Trustee, as the case may be, stating that the amount billed has been incurred or paid by the Authority, the Corporation or the Trustee for one or more of the above items and (ii) a copy of the invoice or statement for the amount so incurred or paid. Amounts so billed shall be paid by the County within thirty (30) days after receipt of the bill by the County. Payment by the County to the Authority, the Corporation or the Trustee of the amount so billed by any such party shall fulfill such payment obligation of the County.

(c) *Consideration.*

(i) Such payments of Base Rental Payments for each Bond Year or portion thereof during the term of the Facility Lease shall constitute, together with the Additional Payments, the total amount due for such Bond Year or portion thereof and shall be paid or payable by the County for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the County shall deliver a certificate to the Authority and the Trustee, which shall set forth the annual fair rental value of the Leased Property. The parties to the Facility Lease have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable under the Facility Lease in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the Leased Property, other obligations of the parties under the Facility Lease, the uses and purposes which may be served by the improvements comprising the Leased Property and the benefits therefrom which will accrue to the County and the general public.

(ii) The parties to the Facility Lease acknowledge that they may amend the Facility Lease in writing from time to time by mutual agreement of the parties to the Facility Lease to increase the Base Rental Payments payable under the Facility Lease so that Additional Bonds may be executed, authenticated and issued pursuant to the Facility Lease and the Indenture. The proceeds of such Additional Bonds shall be used for any lawful purpose. Notwithstanding anything to the contrary contained in the Facility Lease, the Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease.

(d) *Payment; Credit.* Each installment of Base Rental Payments payable under the Facility Lease shall be paid in lawful money of the United States of America to or upon the order of the Corporation at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Corporation shall designate. Any such installment of rental accruing under the Facility Lease which shall not be paid when due shall remain due and payable until received by the Trustee, except as provided in the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments – Rental Abatement," and to the extent permitted by law shall bear interest at the Default Rate from the date when the same is due under the Facility Lease until the same shall be paid. Notwithstanding any dispute between the County and the Corporation, the County shall make all rental payments when due, without deduction or offset of any kind, and shall not withhold any rental payments pending the final resolution of any such dispute. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

Annual Budgets; Reporting Requirements. The County covenants to take such action as may be necessary to include in its operating budget for each fiscal year commencing after the date of the Facility Lease (an "Operating Budget") all Base Rental Payments and Additional Payments (to the extent known at the time of the adoption of its Operating Budget) due under the Facility Lease and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Application of Rental Payments. All Base Rental Payments received shall be applied first to the interest components of the Base Rental Payments due under the Facility Lease, then to the principal components (including any prepayment premium components) of the Base Rental Payments due under the Facility Lease and thereafter to all Additional Payments due under the Facility Lease, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default under the Facility Lease.

Rental Abatement. Until such time as a Certificate of Substantial Completion has been delivered to the Trustee, the County's obligation to pay Base Rental Payments shall be limited solely to amounts on deposit in the Revenue Fund (including, without limitation, the Capitalized Interest Account established pursuant to the Indenture), and if any rental payments under the Facility Lease with respect to the Leased Property shall be at any time abated in full, the County shall have no obligation to make any Base Rental Payments from any other source. Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or any account therein, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2018A Bonds, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. Any abatement of rental payments pursuant to the Facility Lease as summarized in this section shall not be considered an Event of Default as defined in the Facility Lease. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and, with respect to damage to or destruction of the Leased Property, ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion thereof so damaged or destroyed, and with respect to a title defect interfering with the use and possession by the County of any portion of the Leased Property, ending with the interference with the use and possession caused by such title defect.

In the event that rental is abated, in whole or in part, pursuant to the Facility Lease as summarized in this section due to material damage or destruction of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Prepayment of Base Rental Payments. The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to the Facility Lease, all or any portion of the components of Base Rental Payments payable under the Facility Lease relating to any portion of the Leased Property then unpaid (i) in whole on any date at a prepayment amount equal to the principal component outstanding plus accrued interest thereon to the date of prepayment plus any applicable premium to be paid on any Series 2018A Bonds or Additional Bonds to be redeemed with such prepayment (the "Applicable Premium"), or (ii) in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Series 2018A Bonds and any Additional Bonds which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Series 2018A Bonds and any Additional Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any Applicable Premium.

The County may prepay, from any source of available moneys, all or any portion of the components of Base Rental Payments payable under the Facility Lease relating to any portion of the Leased Property then unpaid (i) in whole on any date at a prepayment amount equal to the principal component outstanding plus accrued interest thereon to the date of prepayment plus any Applicable Premium, or (ii) in part so that the aggregate annual amounts of principal components of Base Rental Payments under the Facility Lease which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized

Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Series 2018A Bonds and any Additional Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any Applicable Premium.

Before making any prepayment pursuant to the Facility Lease as summarized in this section, at least 45 days before the prepayment date the County shall give written notice to the Corporation and the Trustee describing such event, specifying the order of principal components of the Base Rental Payments being prepaid and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Corporation and the Trustee. Any notices required in connection with any prepayment under the Facility Lease may be waived by the parties to the Facility Lease as and to the extent necessary.

Nature of County's Obligation to Make Rental Payments. The agreements and covenants on the part of the County contained in the Facility Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants contained in the Facility Lease agreed to be carried out and performed by the County.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2018A BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Bonds. In addition to the Series 2018A Bonds to be executed, authenticated and issued under the Indenture the Authority may, from time to time, but only upon satisfaction of the conditions to the issuance of Additional Bonds set forth in the Indenture, enter into a Supplemental Indenture to issue Additional Bonds on a parity with the Series 2018A Bonds and any previously executed, authenticated and issued Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used for any lawful purpose by the County, as provided in the Supplemental Indenture; provided that prior to or concurrently with the execution and delivery of the Additional Bonds, the County and the Authority shall have entered into an amendment to the Facility Lease, providing for an increase in the Base Rental Payments to be made under the Facility Lease subject to the limitations set forth in the Facility Lease.

Maintenance Operation and Use; Taxes; Insurance and Other Charges

Maintenance of the Leased Property by the County. (a) The County, pursuant to the Facility Lease, agrees that, at all times during the term of the Facility Lease, it will, at its own cost and expense, maintain, preserve and keep the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Corporation shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

(b) The County shall provide the Corporation and the Authority such information concerning the Project and the acquisition, installation and construction thereof as may be reasonably requested by the Authority.

Taxes, Other Governmental Charges and Utility Charges. The parties to the Facility Lease contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Corporation of the Leased Property is found to be subject to taxation in any form, the County will pay during the term of the Facility Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are accrued during such time as the Facility Lease is in effect.

Insurance. From and after the delivery to the Trustee of the Certificate of Substantial Completion, the County shall procure and maintain or cause to be procured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by the Facility Lease as summarized in this section. Such insurance shall consist of:

(i) *Fire and Extended Coverage Insurance; Insurance Proceeds.* All-risk property insurance including, without limitation, earthquake coverage if determined by the County in its discretion to be available at a commercially reasonable price. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of the Leased Property, except that such insurance may be subject to deductible clauses for any one loss of not to exceed five hundred thousand dollars (\$500,000) (or a comparable deductible adjusted for inflation as determined by the County in its reasonable discretion), or, in the alternative, shall be in an amount and in a form sufficient, in the event of total or partial loss, to prepay all outstanding principal components of Base Rental Payments due under the Facility Lease. Such insurance may be part of a joint-purchase insurance program. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

In the event that such coverage is not included in the paragraph above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than \$75,000,000 per accident; provided, however, that the amount of coverage required by this sentence may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in amount to \$75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed \$100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County which may be limited in amount to \$75,000,000 per accident. Otherwise conforming policies satisfying the requirements of paragraph (i) above may provide that amounts

payable as coverage under paragraph (i) above may be reduced by amounts payable under paragraph (2) below for the same occurrence, and vice versa.

In the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by such insurance, the County, except as provided in the Facility Lease, shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property, and the net proceeds, if any, of the insurance described in this paragraph (i) shall be payable to the Trustee for deposit in the Insurance Proceeds and Condemnation Awards Fund, to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The County shall permit withdrawals of said proceeds from time to time for the purpose of repair, reconstruction or replacement only in the event that the Base Rental Payments payable in each year following such repair, reconstruction or replacement shall equal the amount of Base Rental Payments payable in such year as set forth in the Base Rental Payment Schedule. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be applied by the County as Base Rental Payments. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay an aggregate principal amount of Base Rental Payments equal to the portion of the Leased Property so destroyed or damaged (determined by reference to the proportion that the acquisition cost of such portion of the Leased Property bears to the acquisition cost of the Leased Property), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Base Rental Payments.

The Authority and the County shall promptly apply for Federal disaster aid or State disaster aid in the event that the Leased Property is damaged or destroyed as a result of an earthquake occurring at any time. Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Property, or, at the option of the County; to prepay all outstanding principal components of Base Rental Payments due under the Facility Lease if such use of such disaster aid is permitted.

(ii) *Liability Insurance.* Except as provided in the Facility Lease, a commercial general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees, indemnifying said parties against all direct or contingent loss or liability for damages for bodily injury, death or property damage occasioned by reason of the operation of the Leased Property, with minimum liability limits of two million dollars (\$2,000,000) for bodily injury or death of each person in each accident or event, and in a minimum amount of five hundred thousand dollars (\$500,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks. Such liability insurance may be part of a joint-purchase insurance program. Such insurance may be maintained by the County in the form of self-insurance.

(iii) *Rental Interruption Insurance.* Insurance against rental interruption or loss of use and possession of the Leased Property or, as an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance shall be maintained by the County in an amount sufficient to pay the maximum annual Base Rental Payments under the Facility Lease for any two-year period, except that such insurance may be subject to a deductible clause of not to exceed \$500,000 (or a comparable deductible adjusted for inflation as determined by the County in its reasonable discretion) and such rental interruption

insurance may be included in the policy or policies provided pursuant to paragraph (i) or (ii) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (iii) as a joint insured with one or more other public agencies within or without the County which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (i) or (ii) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (iii) may provide that amounts payable as coverage under this paragraph (iii) may be reduced by amounts payable under paragraph (i) or (ii), as the case may be, for the same occurrence, and vice versa.

(iv) *Workers' Compensation Insurance.* Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance may be maintained by the County in the form of self-insurance.

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (i) and (ii) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided in the Facility Lease or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance required in the Facility Lease. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

Any insurance policy issued pursuant to paragraph (i) or (ii) above shall be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (i) or (ii) above shall be applied as provided in the Facility Lease. The net proceeds, if any, of the insurance policy described in paragraphs (i) and (ii) above shall be payable to the Trustee for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (iii) above shall be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in the Facility Lease as summarized in this section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

All insurance required by the Facility Lease shall provide that the Trustee shall be given 30 days written notice of each lapse or a reduction of the coverage below the minimum requirements stated in paragraphs (i), (ii) and (iii) above. Neither the Trustee nor the Authority shall be responsible for the sufficiency of any insurance required in the Facility Lease and both the Trustee and the Authority shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Authority. The County shall pay when due the premiums for all insurance policies required by the Facility Lease, and shall promptly furnish evidence of such payments to the Trustee, upon its written request.

The County will deliver to the Trustee on June 1 of each year a Certificate of the County certifying that the insurance policies required by the Facility Lease as summarized in this section are in full force and effect and that the Authority and/or the Trustee is named as a loss payee on each insurance policy which the Facility Lease requires to be so endorsed, setting forth the insurance policies then in force pursuant to

the Facility Lease as summarized in this section, the names of the insurers that have issued the policies, the amounts thereof and the property and risks covered thereby, and, if any self-insurance program is being provided, the most recent annual report of an actuary, independent insurance consultant or other qualified person (who may be an employee of the County) containing the information required for such self-insurance program and described in paragraphs (i) and (ii) above. The Trustee shall have no responsibility whatsoever for determining the adequacy of any insurance required under the Facility Lease.

Notwithstanding anything in the Facility Lease to the contrary, none of the provisions of the Facility Lease as summarized in this section shall be binding on the County until the Certificate of Substantial Completion shall be delivered to the Trustee.

Advances. In the event the County shall fail to maintain the full insurance coverage required by the Facility Lease or shall fail to keep the Leased Property in good repair and operating condition, the Corporation may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Corporation shall become Additional Payments, which amounts the County, agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Title Insurance. The County, pursuant to the Facility Lease, covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount of the principal component of all Base Rental Payments payable under the Facility Lease. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the County in the Leased Property subject only to Permitted Encumbrances.

Liquidated Damages under Development Agreement; Assignment of Corporation Rights under the Development Agreement. (a) The Corporation assigns and transfers to the Authority all of the Corporation's right, title, and interest in, to, and under any payments under Section 7.2(b) and Section 8.13 of the Development Agreement attached as Appendix G to this Official Statement, the proceeds of which shall be deposited in the Revenue Fund.

(b) As provided in Section 21.1 of the Development Agreement, the Developer and the Corporation shall assign all insurance proceeds which the Developer or the Corporation may be entitled to receive prior to Final Acceptance of the Project with respect to damage or destruction to the Project to the Trustee for deposit into the Insurance and Condemnation Proceeds Fund established under the Indenture.

(c) The County and the Corporation agree that, upon the written request of the Trustee, each will take such actions as may be reasonably requested by the Trustee and to the extent permitted by law to enforce the obligations of the Developer under Section 7.2(b) and Section 8.13 of the Development Agreement attached as Appendix G to this Official Statement to the extent of the County's, the Corporation's, the Trustee's or the Authority's interest therein, including, but not limited, to bringing an action against the Developer for payments thereunder.

(d) The Corporation agrees to assign, or to cause the assignment, to the County certain of its rights under the Development Agreement, as further described and provided in Section 25.5 of the Development Agreement attached as Appendix G to this Official Statement. Subject to the terms of the Development Agreement, the County shall be deemed a third party beneficiary of the Development Agreement.

Damage, Destruction, Title Defect and Condemnation

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds. If prior to the termination of the term of the Facility Lease (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Corporation in the Leased Property or any portion thereof is defective, then the County and the Corporation will cause the net proceeds of any insurance claim to be deposited with the Trustee in the Insurance Proceeds and Condemnation Awards Fund to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed or defective portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; provided, that the County, at its option and provided the proceeds of such insurance award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amounts of principal and interest components of the Base Rental Payments due under the Facility Lease attributable to the portion of the Leased Property so destroyed, damaged or defective (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged or defective portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed or defective portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Bonds pursuant to the provisions of the Indenture as summarized in this Official Statement under the caption "THE BONDS - Redemption - Extraordinary Optional Redemption from Insurance and Condemnation Proceeds" for redemption from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof. Notwithstanding any other provision in the Facility Lease, the County shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction or title defect is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the annual fair rental value of the Leased Property would be at least equal to the maximum annual Base Rental Payments payable under the Facility Lease or (ii) to prepay all the Outstanding Bonds, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or prepayment; provided that the failure of the County to so budget and/or appropriate shall not be a breach of or default under the Facility Lease.

If prior to the termination of the term of title to the Facility Lease, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Corporation in the Leased Property or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or entity acting under governmental authority, then the County and/or the Corporation will cause the proceeds of any award in eminent domain to be transferred to the Trustee for deposit in the Insurance Proceeds and Condemnation Awards Fund and transferred to the Special Redemption Account and applied to the redemption of Outstanding Bonds pursuant to the Indenture.

Disclaimer of Warranties; Vendor's Warranties; Use of the Leased Property

Disclaimer of Warranties. NEITHER THE AUTHORITY, THE TRUSTEE NOR THE CORPORATION MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT NEITHER

THE AUTHORITY, THE TRUSTEE NOR THE CORPORATION IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE REAL PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. UPON COMPLETION OF THE PROJECT, AS EVIDENCED BY DELIVERY OF THE CERTIFICATE OF SUBSTANTIAL COMPLETION, THE COUNTY WILL ASSUME THE AFOREMENTIONED RISKS FOR THE PROJECT IN ADDITION TO THE REAL PROPERTY COMPONENT OF THE LEASED PROPERTY. In no event shall the Authority, the Corporation or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided by the Facility Lease. In no event shall the Authority, the Corporation or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided by the Facility Lease.

Use of the Leased Property; Improvements. The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Facility Lease. The County shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County, pursuant to the Facility Lease, agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the County adversely affect the estate of the Corporation in and to the Leased Property or its interest or rights under the Facility Lease.

Assignment, Expenses and Indemnification

Assignment by Corporation. As security for the payment of the Bonds, the Corporation assigns to the Trustee certain of the Corporation's rights under the Facility Lease and under the Ground Lease, including the right to receive Base Rental Payments under the Facility Lease; and the County assents to such assignment and agrees to make all payments due under the Facility Lease, including Base Rental Payments, from lawfully available funds of the County, directly to the Person or Persons entitled to such payments or for deposit to the appropriate fund or account held by the Trustee under the Indenture, without defense or set off by reason of any dispute between the County and the Corporation, the Authority or the Trustee. By virtue of such assignment, the Trustee shall be a third party beneficiary of the Facility Lease and shall have the right to enforce the obligations of the County under the Facility Lease, subject to the limitations of the Facility Lease, including the limitations in the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments – Rental Abatement."

Expenses; Indemnification. (a) The County shall pay any Costs of Issuance not paid from proceeds of the Series 2018A Bonds and all other expenses, including without limitation reasonable attorneys fees, reasonably incurred by the Corporation, the Authority and the Trustee by reason of the execution of the Facility Lease or the offer, sale or delivery of the Series 2018A Bonds and will hold the Authority and the Trustee free and harmless of and from any claims of any kind for such or similar fees and expenses. Without limiting the generality of the foregoing, the County also agrees to pay the Authority's fees and expense reimbursements required by the Loan Agreement as summarized herein under the caption "LOAN AGREEMENT – Loan Financing; Loan Repayments; Indemnification; Construction Draw – The Loan; Loan Repayments; Additional Payments" and "– Costs of Issuance and Other Expenses."

(b) To the fullest extent permitted by law, the County agrees to indemnify, hold harmless and defend the Authority, the Trustee, and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (collectively, the “Indemnified Parties”), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Indenture, the Corporation Documents or the Tax Certificate or the execution or amendment of the Facility Lease or thereof or in connection with transactions contemplated thereby, including the issuance, sale or resale of the Bonds;

(ii) any act or omission of the Corporation or the County or any of their agents, contractors, servants, employees, tenants or licensees in connection with the Loan, the Project or the Facility Lease, the operation of the Project or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or any part thereof;

(iii) any lien or charge upon payments by the Corporation to the Authority and the Trustee under the Loan Agreement, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Project;

(iv) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances from the Project or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering or disclosure document or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering or disclosure document or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, or any failure to timely file any continuing disclosure document in connection with the Bonds required by any undertaking or by any applicable law, rule or regulation;

(vii) any declaration of taxability of interest on the Bonds, or allegations that interest on the Bonds is taxable or any regulatory audit or inquiry regarding whether interest on the Bonds is taxable; and

(viii) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except (A) in the case of the foregoing indemnification of the Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Authority or any of its officers, members, directors, officials, employees, attorneys

and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under the Facility Lease, the County, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the County shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the County if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

(c) The rights of any persons to indemnity under the Facility Lease and rights to payment of fees and reimbursement of expenses pursuant to the Facility Lease as summarized in this section shall survive the final payment or defeasance of the Bonds and in the case of the Trustee any resignation or removal. The provisions of the Facility Lease as summarized in this section shall survive the termination of the Facility Lease.

Events of Default and Remedies

(a) The following shall be “events of default” under the Facility Lease, and the terms “events of default” or “default” shall mean, whenever they are used in the Facility Lease, any one or more of the following events:

(i) The County shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the Facility Lease, provided, that the failure to deposit any Base Rental Payments abated pursuant to the Facility Lease as summarized herein under the caption “FACILITY LEASE – Rental Payments – Rental Abatement,” shall not constitute an Event of Default; or

(ii) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to the Facility Lease; or

(iii) The County shall fail to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Facility Lease other than as referred to in paragraphs (1) and (2) above for a period of forty-five (45) days after written notice specifying such failure and requesting that it be remedied is given to the County by the Corporation or the Authority; provided, however, if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Corporation or the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected.

(b) In addition to any default resulting from breach by the County of any agreement, condition, covenant or term of the Facility Lease, if (1) the County’s interest in the Facility Lease or any part thereof be assigned, sublet or transferred without the written consent of the Corporation and the Authority, either voluntarily or by operation of law; or (2) the County or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a

bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or (3) the County shall abandon the Leased Property or any portion thereof; then in each and every such case the County shall be deemed to be in default under the Facility Lease.

Upon the happening of any of the events specified in subsection (a) or (b) as summarized above (in either case an “Event of Default”), then it shall be lawful for the Corporation and/or the Authority to exercise any and all remedies available or granted to it pursuant to law or under the Facility Lease. Upon the breach of any agreement, condition, covenant or term contained in the Facility Lease required to be observed or performed by the County, the Authority, the Corporation and/or the Trustee may exercise any and all rights of entry upon or repossession of the Leased Property, and also, at its option, with or without such entry, may terminate the Facility Lease; provided, that no termination shall be effected either by operation of law or acts of the parties to the Facility Lease except upon express written notice from the Corporation, the Authority or the Trustee to the County terminating the Facility Lease, as provided below. In the event of such default and notwithstanding any entry by the Authority, the Corporation or the Trustee, the Authority, the Corporation or the Trustee may at any time thereafter (with or without notice and demand and without limiting any other rights or remedies the Authority, the Corporation or the Trustee may have):

(1) Maintain the Facility Lease in full force and effect and recover rent and other monetary charges as they become due without terminating the County’s right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property. In the event the Authority, the Corporation or the Trustee elects not to terminate the Facility Lease, it shall have the right and the County irrevocably appoints the Corporation as its agent and attorney-in-fact for such purpose to attempt to relet the Leased Property at such rent, upon such conditions and for such term, and to do all other acts to maintain or preserve the Leased Property, including the removal of persons or property therefrom or taking possession thereof, as the Corporation or the Authority deems desirable or necessary, and the County waives any and all claims for any damages that may result to the Leased Property thereby; provided, that no such actions shall be deemed to terminate the Facility Lease and the County shall continue to remain liable for any deficiency that may arise out of such reletting, taking into account expenses incurred by the Corporation or the Authority due to such reletting, payable at the same time and manner as provided for Base Rental in the Facility Lease as summarized herein under the caption “FACILITY LEASE – Rental Payments – Base Rental Payments.”

(2) Terminate the County’s right to possession of the Leased Property by giving a written notice of termination to the County. On the date specified in such notice (which shall be not less than three (3) days after the giving of such notice) the County’s right to possession under the Facility Lease shall terminate and the County shall surrender possession of the Leased Property, as the case may be, to the Corporation, unless on or before such date all arrears of rental and all other sums payable by the County under the Facility Lease, and all costs and expenses incurred by or on behalf of the Corporation, the Trustee or the Authority under the Facility Lease, including attorneys’ fees incurred in connection with such defaults, shall have been paid by the County and all other defaults or breaches under the Facility Lease by the County at the time existing shall have been fully remedied to the satisfaction of the Corporation, the Trustee and the Authority. Upon such termination, the Corporation, the Trustee and the Authority may recover, in addition to all other damages available by contract or at law, to the extent permitted by law, from the County: (i) the worth at the time of award of the unpaid rental which had been earned at the time of termination; and (ii) the worth at the time of award of the amount by which the unpaid rental which would have been earned after termination until the time of award exceeds the amount of such rental loss that

the County proves could have been reasonably avoided. The “worth at the time of award” of the amounts referred to in clauses (i) and (ii) above is computed by allowing interest at the rate of twelve per cent (12%) per annum.

Without otherwise limiting any of the rights or remedies of the Corporation, the Trustee and the Authority set forth in the Facility Lease, the Corporation, the Trustee and the Authority expressly waive the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

Notwithstanding any provision in the Facility Lease, under no circumstances shall the Base Rental Payments due under the Facility Lease be accelerated as a result of any Event of Default.

Each and all of the remedies given to the Corporation, the Trustee and the Authority under the Facility Lease or by any law now existing or hereafter enacted are cumulative and the exercise of any one remedy shall not impair the right of the Corporation, the Trustee and the Authority to any or all other remedies.

Miscellaneous

Binding Effect. The Facility Lease shall inure to the benefit of and shall be binding upon the Corporation and the County and their respective successors and assigns.

Trustee and Authority as Third Party Beneficiary. The Trustee and the Authority are designated third party beneficiaries under the Facility Lease for the purpose of enforcing any of the rights granted to such parties under the Facility Lease or assigned to the Trustee and the Authority under the Loan Agreement.

Net Lease. It is the purpose and intent of the Corporation and the County that lease payments under the Facility Lease shall be absolutely net to the Corporation so that the Facility Lease shall yield to the Corporation the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease. The Corporation shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Facility Lease except as expressly set forth in the Facility Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Facility Lease shall be paid by the County.

Amendments. The Facility Lease may be amended in writing as may be mutually agreed by the Corporation and the County, subject to the written approval of the Authority and the Trustee; provided, that no such amendment which materially adversely affects the rights of the Holders shall be effective unless it shall have been consented to by the Holders of more than 50% in principal amount of the Series 2018A Bonds Outstanding and any Additional Bonds then Outstanding, and provided further, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Holder of each Bond so affected, or (b) reduce the percentage of the principal amount of the Bonds Outstanding the consent of the Holders of which is required for the execution of any amendment of the Facility Lease.

The Facility Lease and the rights and obligations of the Corporation and the County under the Facility Lease may also be amended or supplemented at any time by an amendment of the Facility Lease or supplement to the Facility Lease which shall become binding upon execution without the written

consents of any Holders, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Corporation or the County to be observed or performed in the Facility Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the County, or to surrender any right or power reserved in the Facility Lease to or conferred in the Facility Lease on the Corporation or the County, and which in either case shall not materially adversely affect the interests of the Holders;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Facility Lease or in regard to questions arising under the Facility Lease which the Corporation or the County may deem desirable or necessary and not inconsistent with the Facility Lease, and which shall not materially adversely affect the interests of the Holders;

(c) to effect a Substitution or Removal in accordance with the Facility Lease; or

(d) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Holders.

Discharge of County. Upon the payment of all Base Rental Payments and Additional Payments payable under the Facility Lease, all of the obligations of the County under the Facility Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied; provided, however, if the Series 2018A Bonds and any Additional Bonds shall be deemed to have been paid by virtue of a deposit of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem the Series 2018A Bonds and any Additional Bonds Outstanding of the Indenture, and subject to satisfaction of the conditions of the Indenture, then the obligation of the County to make Base Rental Payments under the Facility Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by the Indenture, and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments.

Severability. In the event any provision of the Facility Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Facility Lease.

Governing Law. The Facility Lease shall be construed in accordance with and governed by the constitution and the laws of the State of California applicable to contracts made and performed in California.

GROUND LEASE

Leased Property. The County leases to the Corporation and the Corporation rents and hires from the County, on the terms and conditions set forth in the Ground Lease, the Real Property.

Term. The term of the Ground Lease will commence on the Closing Date and shall end on the Expiry Date, unless such term is sooner terminated or is extended as provided in the Ground Lease. If prior to the Expiry Date all Base Rental Payments under the Facility Lease shall have been paid, or provision therefor has been made in accordance with the Indenture to defease all outstanding Bonds, the term of the Ground Lease shall end simultaneously therewith. If the Facility Lease is extended automatically beyond

the Expiry Date pursuant to the terms thereof, the Ground Lease shall also be extended to the day following the date of termination of the Facility Lease.

Rent. The Corporation shall pay to the County an advance rent of \$1, which, together with the execution and delivery of the Facility Lease, shall constitute full consideration for the Ground Lease over its term. The Corporation waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Corporation of the Real Property or portion thereof as a result of material damage, destruction or condemnation.

Purpose. The Corporation shall use the Real Property solely for the purpose of subleasing the same to the County; provided, that in the event of default by the County under the Facility Lease, the Corporation may exercise the remedies provided in the Facility Lease.

Owner in Fee. The County covenants that it is the owner of the Real Property free and clear of all liens, claims or encumbrances except Permitted Encumbrances.

Assignments and Leases. Unless the County shall be in default under the Facility Lease, the Corporation may not, without the prior written consent of the County, assign its rights under the Ground Lease or sublet the Leased Property, except that the County expressly approves and consents to the assignment and transfer of the Corporation's right, title and interest in the Ground Lease to the Trustee pursuant to the Facility Lease.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Termination. The Corporation agrees, upon the termination of the Ground Lease, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the terms under the Ground Lease, reasonable wear and tear excepted, and agrees that any permanent improvements to the Leased Property at the time of the termination of the Ground Lease shall remain thereon and title thereto shall vest in the County.

Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of the Ground Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Corporation, the County may exercise any and all remedies granted by law, except that no merger of the Ground Lease and of the Facility Lease shall be deemed to occur as a result thereof; provided, that so long as the Bonds executed and delivered pursuant to the Indenture are Outstanding, the County shall have no power to terminate the Ground Lease by reason of any default on the part of the Corporation, if such termination would affect or impair any assignment of the Facility Lease then in effect between the Corporation and the Trustee.

Quiet Enjoyment. The Corporation at all times during the term of the Ground Lease shall peaceably and quietly have, hold and enjoy the Real Property.

Waiver of Personal Liability. All liabilities under the Ground Lease on the part of the Corporation shall be solely corporate liabilities of the Corporation, and the County releases each and every director, officer and employee of the Corporation from any personal or individual liability under the Ground Lease. No director, officer or employee of the Corporation shall at any time or under any circumstances be individually or personally liable under the Ground Lease for anything done or omitted to be done by the Corporation under the Ground Lease.

Eminent Domain. In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, the interest of the Corporation shall be recognized and is determined to be the amount of the then unpaid Base Rental Payments payable under the Facility Lease, and the amount of the unpaid Additional Payments due under the Facility Lease, and the balance of the award, if any, shall be paid to the County.

Amendments. The Ground Lease may be amended for the purpose of affecting a Substitution or Removal, as further described in the Facility Lease, and in the manner and under the circumstances described in connection with the amendment of the Facility Lease, as further described in the Facility Lease.

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

Governing Law. The Ground Lease shall be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in California.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the County of Orange, California (the “County”) in connection with the issuance of \$185,705,000 aggregate principal amount of the California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program – Phase II) (the “Bonds”). The Bonds are being issued pursuant to an Indenture dated as of December 1, 2018 (the “Indenture”) by and between the California Municipal Finance Authority (the “Authority”) and Zions Bancorporation, National Association, as trustee (the “Indenture”). Capitalized terms not defined herein shall have the meaning set forth in the Indenture. The County covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as the foregoing capitalized terms are hereinafter defined).

Section 2. Definitions. The following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the County or any successor Dissemination Agent designated in writing by the County, which has filed with the County a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (“EMMA”) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement for the Bonds dated December 4, 2018.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than February 25 after the end of the County's fiscal year (which currently ends on June 30), commencing with the report due for the fiscal year ended June 30, 2018, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The County's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The County will promptly notify the MSRB of a change in the fiscal year dates.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the County shall provide the Annual Report to the Dissemination Agent (if the Dissemination Agent is not the County). If by fifteen (15) Business Days prior to the date specified in (a) for the Annual Report, the Dissemination Agent (if other than the County) has not received a copy of the Annual Report, the Dissemination Agent shall notify the County of such failure to receive the report. If the Dissemination Agent is other than the County, the County shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the County and shall have no duty or obligation to review such Annual Report.

(c) If the County fails to provide an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice of such failure to file to the MSRB, in the form required by the MSRB.

Section 4. Content of Annual Report. The County's Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the County for the most recent fiscal year of the County then ended. If the County prepares audited financial statements and if the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the County in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the County shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements, if prepared by the County, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that

the County may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. If the County shall modify the basis upon which its financial statements are prepared, the County shall provide a notice of such modification to the MSRB, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) Financial and Operating Data. The following information:

1. The Final Budget of the County for the current Fiscal Year in the form of Table A-6 in Appendix A to the Official Statement.

2. Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in Appendix A to the Official Statement, in the following charts and tables or under the following captions:

(a) “County Financial Information” - Tables A-3 through A-5, Tables A-8 through A-10 and Tables A-12 through A-20; and

(b) “Investment Policy Statement.”

Financial information relating to the County referenced in this Section 4 (b)(2) above may be updated from time to time in a manner not inconsistent with the Rule, including updates that display data in a different format or table or eliminate data that is no longer available.

The County has not undertaken in this Disclosure Certificate to provide all information an investor may want to have in making decisions to hold, sell or buy Bonds but only to provide the specific information listed above.

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

Section 5. Reporting of Significant Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) (the Bonds are being issued as taxable obligations under the Code);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds (the Bonds are being issued as taxable obligations under the Code);
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the County shall determine if such event would be material under applicable federal securities laws.

(d) If the County learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the County shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Indenture.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the County shall give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3, 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture or the Lease, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. A Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, if any, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: December 13, 2018

COUNTY OF ORANGE, CALIFORNIA

By: _____
Public Finance Director

APPENDIX E

FORM OF BOND COUNSEL OPINION

Upon issuance of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

[Date of Delivery]

California Municipal Finance Authority
Carlsbad, California

California Municipal Finance Authority
Lease Revenue Bonds, Series 2018A
(Orange County Civic Center Infrastructure Improvement Program – Phase II)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Municipal Finance Authority (the “Authority”) in connection with issuance by the Authority of \$185,705,000 aggregate principal amount of California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program – Phase II) (the “Series 2018A Bonds”), issued pursuant to the provisions of the Joint Exercise of Powers Act (constituting Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, and an Indenture, dated as of December 1, 2018 (the “Indenture”), by and between the Authority and Zions Bancorporation, National Association, as trustee (the “Trustee”). The Indenture provides that the Series 2018A Bonds are issued for the stated purpose of making a loan of the proceeds thereof to the Capital Facilities Development Corporation, a California nonprofit public benefit corporation (the “Corporation”), pursuant to a Loan Agreement, dated as of December 1, 2018 (the “Loan Agreement”), by and between the Authority and the Corporation. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Facility Lease, the Ground Lease, the Tax Certificate, opinions of counsel to the Authority, the County, the Trustee and the Corporation, certificates of the Authority, the County, the Trustee, the Corporation and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2018A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal

execution and delivery thereof by, and validity against, any parties other than the Authority, the Corporation and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement, the Facility Lease, the Ground Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2018A Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Series 2018A Bonds, the Indenture, the Loan Agreement, the Facility Lease, the Ground Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the liens of the Indenture, the Loan Agreement, the Facility Lease or the Ground Lease or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2018A Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2018A Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2018A Bonds, of the Payments and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.
4. Interest on the Series 2018A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2018A Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2018A Bonds.

Faithfully yours,

APPENDIX F

BOOK-ENTRY SYSTEM

The following description of DTC and its book-entry system has been provided by DTC and has not been verified for accuracy or completeness by the Authority, the Corporation or the County, and none of the Authority, the Corporation or the County shall have any liability with respect thereto. None of the Authority, the Corporation or the County shall have any responsibility or liability for any aspects of the records maintained by DTC relating to or payments made on account of beneficial ownership, or for maintaining, supervising, or reviewing any records maintained by DTC relating to beneficial ownership, of interests in the Bonds.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The 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 Bond will be issued for each annual maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited through the facilities of 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on this website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 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 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 Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

APPENDIX G
DEVELOPMENT AGREEMENT

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DEVELOPMENT AGREEMENT

Between

CAPITAL FACILITIES DEVELOPMENT CORPORATION
a California nonprofit public benefit corporation

(*“Corporation”*)

and

GRIFFIN STRUCTURES, INC.
a California corporation

(*“Developer”*)

Dated as of December ____, 2018

BUILDING 14
645 N. Ross Street
Santa Ana, California 92701

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DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this “*Agreement*”) dated as of December _____, 2018 is by and between **CAPITAL FACILITIES DEVELOPMENT CORPORATION**, a California nonprofit public benefit corporation (“*Corporation*”), and **GRIFFIN STRUCTURES, INC.**, a California corporation (“*Developer*”).

RECITALS

A. Corporation is the lessee under that certain Ground Lease (Phase II) (“*Ground Lease*”), in which County of Orange, a political subdivision of the State of California, is the lessor and pursuant to which Corporation leases that certain real property located in the City of Santa Ana, California (“*Land*”), that is more specifically described in the attached **Exhibit A**.

B. Corporation desires to construct on the Land an office building and public hearing room containing approximately 252,000 gross square feet which includes a single story Boardroom and ancillary spaces to serve as Tenant’s office facilities (collectively, the “*Office Building*”). Corporation also desires to construct a subterranean parking structure located on the Land containing approximately 149,810 square feet and approximately 350 parking stalls (“*Parking Structure*”) to primarily serve the occupants of the Office Building. The proposed Office Building and Parking Structure are more fully described in the approved Schematic Design Drawings (as defined in Section 1). The design, permitting and construction of the Office Building and Parking Structure are together referred to in this Agreement as the “*Project*.”

C. Corporation, as landlord, and Tenant (as defined in Section 1) are parties to that certain Facility Lease (Phase II) dated of even date with the Ground Lease (“*Facility Lease*”), whereby Tenant has agreed to lease the Premises (as defined in Section 1) upon substantial completion of the Project, at the rent and subject to all of the terms, covenants and conditions set forth in the Facility Lease, a copy of which is attached hereto.

D. Corporation desires to engage Developer to develop and administer the design, permitting and construction phases of the Project in accordance with the terms and conditions of this Agreement. Developer desires to perform development and construction management services in connection with the construction of the Project in accordance with the terms and conditions of this Agreement. Subject to the terms and conditions hereof, Developer will warrant to achieve Substantial Completion (as defined in Section 1) of the Project no later than the Developer Obligation Date (as defined in Section 1) and for a total price not to exceed the Project GMP (as defined in Section 1).

E. Corporation understands that Developer will not personally perform any design or construction services. The parties intend for Developer to contract directly and separately with (i) the Construction Manager (as defined in Section 1) who is to be engaged to construct the Project, (ii) the Architect (as defined in Section 1) and engineers and related design consultants designing the Project, and (iii) such other Contractors (as defined in Section 1) or consultants who may be engaged to perform discrete elements of design or construction work on the Project to the extent not covered by the CMAR Contract (as defined in Section 1) or Architect’s Agreement (as defined in Section 1). If, during the performance of this Agreement, Developer determines that additional

construction service consultants or contractors must be retained in order to meet the terms of this Agreement, the Developer will contract with them directly.

F. Corporation anticipates that financing for the Project will be obtained through the issuance of tax-exempt bonds (the “*Bonds*”) by the California Municipal Finance Authority (the “*Authority*”) for the benefit of the Corporation by agreement between the Corporation and the Authority. Upon payment in full of the Bonds, Corporation will convey the Project to Tenant for no additional consideration.

G. Developer and Tenant previously entered into the Program Management and Design Agreement, dated June 26, 2018 (the “*PM/D Agreement*”), whereby Developer provided the PHASE 2A Services (as defined in the PM/D Agreement) relating to the Project. Developer will provide the PHASE 2B Services (as defined in the PM/D Agreement) under this Agreement with Corporation as a public-private partnership whereby Developer will design and construct the Project, and Tenant may elect to be reimbursed by Corporation from Bond proceeds in accordance with the Indenture on or before the 60th day after the Bond Closing (as defined in Section 1) for the funds it advanced for the PHASE 2A Services and other reimbursable costs.

NOW, THEREFORE, to fulfill the foregoing objectives, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Corporation and Developer desire to enter into this Agreement and proceed in accordance with its terms.

1. **Definitions.** As used in this Agreement, the following terms shall have the following meanings:

“**ADA**” means the Americans with Disabilities Act of 1990, as amended from time to time.

“**AHJ**” means an Agency Having Jurisdiction with respect to the Project, which includes any governmental or quasi-governmental agencies, bodies, authorities and courts having jurisdiction over the Project or any portion thereof, including but not limited to Orange County Public Works, Orange County Building & Safety Department, and Orange County Fire Authority.

“**Allowance**” means additional resources included in Developer’s estimate to cover the cost of known but undefined requirements for an individual activity, work item, account or sub-account expressly identified as such in **Exhibit K**. There are no Allowances except as specifically identified in **Exhibit D** or **Exhibit K**. When Developer is capable of determining the actual cost associated with the Allowance, an appropriate additive or deductive change order shall be issued as and when necessary as reasonably determined by Developer as further described in Section 9.8. The drawings attached as **Exhibit S** were the basis for Developer’s Allowance for the supervisor suites improvements.

“**Architect**” means LPA, Inc., the architect for the Project, or any successor architect for the Project.

“**Architect’s Agreement**” means the agreement between Developer and the Architect with respect to the Project.

“**Bond Closing**” refers to the date the Bond proceeds are made available to the Trustee.

“**Bonds**” means those tax-exempt bonds to be issued by the Authority for the benefit of the Corporation as more particularly described in Recital F above, from the proceeds of which Corporation intends to pay, among other things, the cost of PHASE 2A Services, the Project GMP, the Financed FF&E, and any bonds issued to refund such Bonds.

“**CMAR Contract**” means the agreement between Developer and the Construction Manager for construction of the Project through the delivery method of Construction Manager at-Risk (“CMAR”).

“**Commencement of Construction**” means the date Corporation executes and delivers to Developer the written Notice to Proceed (Construction).

“**Commodities**” mean finished goods, products, or materials that are purchased (directly or indirectly) by Developer or Construction Manager that are intended to be installed in or incorporated into the work including, without limitation, the Financed FF&E.

“**Construction Contracts**” means collectively (i) the CMAR Contract, (ii) the subcontracts between Construction Manager and its Trade Contractors, and (iii) all other contracts for construction services entered into between Developer and any Contractor, for construction of any portion of the Project not covered by the CMAR Contract.

“**Construction Documents**” means the Construction Drawings and Detailed Specifications approved by the Corporation, for construction of the Project, including technical drawings, schedules, diagrams, plans and specifications setting forth in detail the requirements for construction of the Project and providing information customarily required for the use of the building trades.

“**Construction Drawings**” means Drawings setting forth the requirements for the construction of the Project approved by the Corporation. As used herein, “Drawings” include all graphic and pictorial documents depicting the design, location and dimensions of the elements of the Project (including Tenant Improvements) and include plans, elevations, sections, details, schedules and diagrams for the Project, all of which shall be consistent with the Project Requirements. Construction Drawings may, if applicable, consist of separate Drawings for the Office Building, Parking Structure, and Tenant Improvements.

“**Construction Manager**” means Swinerton Builders, the Construction Manager at Risk for the Project selected by Developer and any replacement or successor construction manager. The Construction Manager is providing its professional services for a fixed fee. Developer may, at its election, replace the Construction Manager with a replacement construction manager with the consent of Corporation, which consent will not be unreasonably withheld, conditioned, or delayed provided that there is no increase to the Project Cost or to the Corporation.

“**Contract Documents**” means this Agreement (including all exhibits attached hereto), the Construction Documents, the Construction Contracts and the other documents identified as Contract Documents in the CMAR Contract and all modifications and amendments to the foregoing issued after the date of execution of this Agreement, including amendments and change orders.

“**Contractors**” means the Construction Manager, any Trade Contractors and their subcontractors (of any tier), and any other construction trade contractors with whom Developer enters into Construction Contracts for the Project.

“**Corporation**” means Capital Facilities Development Corporation, a California nonprofit public benefit corporation, its successors and permitted assigns.

“**Corporation-Caused Delay**” means any period of Critical Path delay in the overall progress of design, finance, construction, and completion of the Project, including Tenant Improvements, that is caused by (a) Corporation-initiated changes to the Construction Documents, (b) Corporation’s failure to approve, disapprove, decide, or otherwise respond to Developer in the time indicated in this Agreement for such item with respect to a particular item for which Corporation’s response is required hereunder or under the CMAR Contract or Architect’s Agreement, (c) Corporation’s failure to deliver plans, information, specifications, or other information within the time frames required under this Agreement, the Project Schedule, or the CMAR Contract or Architect’s Agreement, (d) Corporation’s failure to timely fund Project Costs or Other Corporation Costs, (e) failure of Corporation and/or Tenant to cause Corporation or Tenant provided FF&E or Tenant’s Personal Property, if any, to be procured and installed in a timely manner, (f) any interference or other acts or omissions of Corporation or Tenant, (g) delays caused by Tenant which are not intended to include any period of time provided in the Facilities Lease, the Project Schedule, or this Agreement for Tenant to review and respond to any submission, (i) delays caused by items for which Corporation is responsible, including but not limited to Corporation Deliverables, or (j) Differing Site Conditions not reasonably identified by Developer prior to the date of this Agreement in the exercise of its commercially reasonable due diligence (which the parties have agreed that Developer’s due diligence was reasonable based on the reports identified in **Exhibit Q**). In the absence of a particular time frame in the Project Schedule for Corporation to provide plans, information, approvals, etc., Corporation will have five (5) business days to provide such plans, information, approvals, etc. after Developer’s written request. However, Corporation-Caused Delay shall not include delay to the extent caused by Developer’s failure to provide, within the time frames allowed hereunder, draw requests, architect’s certifications, progress completion certifications, copies of change orders and reasonable supporting documentation, shop drawings, schedules, costs, invoices, job progress reports, or any other documents or information which Corporation is entitled to receive hereunder or which is reasonably requested by Corporation in connection with any such decision or response. To facilitate timeliness in Corporation’s communications with Developer over matters relating to design or construction of the Project and to minimize the possibility of Corporation-Caused Delay, Developer shall alert Corporation to deadlines for approvals, decisions or other responses that Corporation must provide hereunder, including, among other methods, attachment of “deadline cover sheets” on any submissions to Corporation that require response by a particular deadline or distribution of weekly calendars that show deadlines imposed on Corporation. If Developer at any time believes that an instance of Corporation-Caused Delay has occurred that has directly caused or will directly cause an increase in Project Costs or extension of the Developer Obligation Date, then Developer shall send a written notification to Corporation in accordance with Section 8.4. Any disputes between Developer and Corporation over delays or Project Costs attributable to Corporation-Caused Delay shall not be a reason to stop or delay construction of the Project and shall be resolved by the parties as expeditiously as possible, either by mutual agreement of the parties or in accordance with the dispute resolution mechanisms described in Section 24 hereof.

“Corporation Contingency” means a fund to cover cost growth during the Project used at the discretion of the Corporation usually for costs that result from Corporation directed changes or Corporation-Caused Delays. The amount of the Corporation’s Contingency will be set by the Corporation and will be included as a line item in the Project GMP (below the line), but will be for Corporation’s exclusive use. Corporation’s Contingency will be added to the GMP amount provided by the Developer, the sum of which will be the full contract price for design, permitting and construction. Markups for insurance, bonds, fee, taxes, and general conditions will be applied by the Developer at the time that Corporation Contingency is used. Any Corporation Contingency not utilized shall revert to the Corporation after Project completion. Corporation may or may not elect to include a Corporation Contingency, and may elect the amount of any Corporation Contingency. Corporation’s election to not include a Corporation Contingency or election to have an insufficient Corporation Contingency is at Corporation’s sole risk. The Corporation Contingency will be treated like an Allowance (but to be used exclusively by the Corporation), and the amount of the Corporation Contingency (which is determined solely by the Corporation in its sole discretion) will not act as a limit on costs that Corporation is required to pay under this Agreement.

“Corporation Deliverables” means and refers to (a) all reviews and approvals by Corporation required under this Agreement, (b) Corporation’s responses to questions from Developer required under this Agreement, (c) the utilities to be provided by the Central Utility Facility to a mutually agreed location in accordance with the Project Schedule, (d) Corporation’s design and installation of its information technology in accordance with the Project Schedule, (e) Corporation providing the Tenant Personal Property in accordance with the Critical Path Project Schedule, and (f) any FF&E or Tenant’s Personal Property that Corporation or Tenant desires that is not included in the approved Construction Documents as Developer’s responsibility in accordance with the Project Schedule.

“Costs Not to Be Reimbursed” means, except as specifically provided in Section 11 hereof (relating to Developer’s Fixed Fee) or as set forth in **Exhibit D**, (i) salaries or other compensation of Developer’s personnel normally situated at Developer’s principal office or branch offices; (ii) except as otherwise provided in the Construction Contract, salaries or other compensation for any of Contractor’s personnel normally situated at such Contractor’s principal office or branch offices; (iii) salaries or other compensation for any officer of Developer or Contractor; (iv) expenses of Developer’s or Contractor’s principal office; (v) overhead or general expenses, except as expressly provided in the definition of Project Costs; and (vi) Project Costs in excess of the Project GMP.

“Costs Resulting from Corporation-Caused Delay” means any increase in costs of constructing the Project to the extent resulting from Corporation-Caused Delay. Where additional costs are incurred as a result of a combination of Corporation-Caused Delay and failure of Developer to provide, within the time frames allowed hereunder, draw requests, architect’s certifications, progress completion certifications, copies of change orders and supporting documentation, shop drawings, schedules, costs, invoices, job progress reports, or other documents or information which Corporation is entitled to receive hereunder or which is reasonably requested by Corporation in connection with any such decision or response required hereunder, then Costs Resulting From Corporation-Caused Delay shall be only the portion of such costs attributable to Corporation-Caused Delay.

“Critical Path” means the sequence of Activities in a network analysis such that the total duration equals the sum of the durations of the individual Activities in the sequence. There is no time leeway or slack (float) in Activities along the Critical Path (that is, if the time to complete one or more Activities in the Critical Path increases, the total production time increases). The Project Schedule shall include the Critical Path. As used in this definition, the term “Activities” refer to basic elements of work, or tasks that must be performed in order to complete the Project. Activities may occur over time.

“Design Development Drawings” means drawings that are a consistent development of the Schematic Drawings and further define and describe all important aspects of the Project and includes measured CAD drawings at a scale required to convey and describe the design intent. The approved and accepted Schematic Drawings will serve as the basis for the Construction Drawings as approved by the Corporation and Tenant. An index of all of the approved and accepted Schematic Documents as of the date of this Agreement is included in **Exhibit E**.

“Detailed Specifications” means all written detailed requirements for materials, equipment, construction systems, standards and workmanship for the construction of the Project.

“Developer” means Griffin Structures, Inc., a California corporation, and its successors and permitted assigns hereunder.

“Developer Contingency” means the Developer contingency line item set forth in **Exhibit D** which will be set formulaically at time of establishment of the GMP to be a factor of 2.5% of all Project Costs. The Developer Contingency is a fund to pay Project Costs during the Project which are not the Corporation’s responsibility. Developer may use the Developer Contingency at the reasonable discretion of Developer for Project Costs that fall within any of the following categories: (a) voluntary acceleration, (b) costs that are not recovered from sureties of retaining replacement or supplemental Contractors, (c) gaps in Trade Contractors’ scopes of work, including interfacing omissions between and among the work categories, (d) Unavoidable Delays, (e) delays and costs attributable to Developer, excluding costs arising from Developer’s gross negligence or willful misconduct, (f) labor disputes, (g) material or equipment price changes, (h) costs related to the coordination of modifications, amendments or updates to the completed Construction Documents that are required by an AHJ or otherwise at no fault of either party to this Agreement, excluding costs arising from errors or omissions that are a breach of the Architect’s standard of care, (i) correcting defective or non-conforming work that Developer cannot reasonably recover from the responsible Trade Contractor(s), or (j) settling the contractual claims of Contractors when doing so is deemed by the Developer to be in the best interests of the Project to keep the Project progressing, subject to such settlement amounts being within limits of the Project GMP. The foregoing categories are referred to as the **“Pre-Approved Developer Contingency Uses.”** Developer may use the Developer Contingency for Project Costs that do not fall within the Pre-Approved Developer Contingency Uses only with the consent of the Corporation, which consent will not be unreasonably withheld. The Developer Contingency will not be subject to additional markup by Developer, but may include markup for Contractors for their direct and indirect overhead costs and profit. The amount of the Developer Contingency will be a separate line item in **Exhibit D**. Any unused Developer Contingency, at the completion of the Project, will be subject to the terms of Section 12.7.

“Developer Obligation Date” means the scheduled date for issuance of the Certificate of Substantial Completion as set forth in the Project Schedule attached as **Exhibit F**, as it may be extended pursuant to this Agreement. The Developer Obligation Date shall be extended day-for-day to the extent (i) Bond Closing has not occurred on or before December 31, 2018, (ii) Corporation has not executed this Agreement on or before December 31, 2018, (iii) Corporation has not issued its Notice to Proceed (Construction) in accordance with the Project Schedule, or (iv) of Corporation-Caused Delays and (iv) of Unavoidable Delays.

“Developer’s Fixed Fee” means the fixed fee to be paid by Corporation to Developer pursuant to Section 11.1 and subject to the terms and conditions set forth in Sections 7.2, 11 and 12 of this Agreement for Developer’s Project related program management, development management, and construction management services to be performed by Developer under this Agreement. This fee is inclusive of all of Developer’s overhead, administrative costs, development/program management and construction management costs for the scope of work included in the Project. This fee is exclusive of any fees or costs of Developer’s Construction Manager, the Architect or other design professionals, consultants, Contractors, laborers, materials, equipment, or Reimbursable Expenses, and which amounts are included as Project Costs within the Project GMP. In addition to Developer’s Fixed Fee, Developer is also entitled to share in the unused Developer Contingency as set forth in Section 12.7. Developer’s Fixed Fee was not calculated based on Developer’s Contingency. To the extent that Developer’s Contingency is expended for any reason, then Developer shall receive additional fee compensation calculated at 4.56% at the time of those expenditures (if any). Developer’s expenditure of Developer’s Contingency, plus the additional fee applied thereto as provided in the previous sentence, will be deducted from the Developer’s Contingency line item and, therefore, will not be included in any final shared participation in unused Developer’s Contingency.

“Differing Site Conditions” are: (a) subsurface or latent physical conditions at the Project Site differing materially from those conditions indicated from a reasonable evaluation in accordance with industry custom or (b) unknown or unforeseen physical conditions at the Project Site of an unusual nature, differing materially from conditions normally encountered and generally recognized as inherent in work of the nature provided for in the Construction Documents. The parties acknowledge that they have agreed upon the reasonable due diligence that Developer is to undertake pursuant to the PM/D Agreement. Therefore, Differing Site Conditions are, as defined above, but only to the extent that the conditions were not revealed by the mutually agreed upon due diligence performed by Developer. Developer is responsible for (and may not make a claim for) any conditions identified by the due diligence performed by Developer.

“Facility Lease” means the Facility Lease (Phase II) to be executed between Corporation and Tenant for occupancy of the Project, in the form attached hereto as **Exhibit B**.

“FF&E” means furniture, fixtures, equipment and movable property.

“Financed FF&E” means all furniture, fixtures, equipment and movable property as set forth in the Detailed Specifications, the costs of which will be (i) included in Project Costs, and (ii) financed through the Bonds. It is the intent of Corporation and Developer that they will cooperate to make any decisions on Financed FF&E such that the total cost of the Financed FF&E will not exceed the line item for Financed FF&E in **Exhibit D** for the Financed FF&E. If

Corporation or Tenant adds items to the Financed FF&E or selects items that are more expensive than the aggregate budgeted amount for the Financed FF&E, then such additional costs of Financed FF&E in excess of the budgeted line item for Financed FF&E shall be deemed to be an Other Corporation Cost. The Financed FF&E will be designed, provided and installed in accordance with the Detailed Specifications and Developer shall have no other obligations in connection therewith.

“Final Acceptance” means the Corporation’s written approval and concurrence that certain events, more fully defined in Section 12 of this Agreement, have occurred prior to Final Payment being made.

“Final Completion” is the date when Construction Manager has completed all construction activities required by the Contract Documents, excluding executory warranty obligations. Corporation and Developer will complete and sign the Final Completion form attached as **Exhibit L** in a timely manner.

“Final Payment” means payment to Developer following Final Acceptance of the Project pursuant to Section 12 of this Agreement.

“Financing Costs” means all financing and other related costs authorized to be paid pursuant to the Indenture in connection with the issuance of the Bonds.

“Guaranteed Maximum Construction Price” means the maximum cost for construction of the Project, as guaranteed by the Construction Manager pursuant to the terms of the CMAR Contract.

“Guaranteed Maximum Price of Project” and “Project GMP” mean and refer, interchangeably, to the amount of \$190,112,642 to be paid by Corporation for Project Costs. The Guaranteed Maximum Construction Price is just one element of the Guaranteed Maximum Price of Project. A detailed description of all Project Costs included in the Project GMP, broken down by line item and category, is set forth in **Exhibit D**. Where applicable, the terms “Guaranteed Maximum Price of Project” and “Project GMP” shall each include adjustments thereto made in accordance with this Agreement. The Guaranteed Maximum Price of Project specifically excludes the following costs (all of which are Corporation’s responsibility): (1) Corporation’s Other Costs; and (2) costs associated with work that is not included in the Construction Documents. Additionally, the Project GMP is subject to the express qualifications, exclusions and Allowances set forth in **Exhibit K**. Nothing in this Agreement or its exhibits is intended to create a line item guaranty (only the Project GMP is guaranteed), and Developer may, in its sole and absolute discretion, allocate any savings from any individual line item or the Developer Contingency, except Allowances, to any Project Costs for any Project work required from the Contract Documents for the Project, except that Developer must obtain Corporation’s consent to use Developer Contingency for Project Costs that are not included in the Pre-Approved Developer Contingency Uses.

“Indenture” means the trust indenture pursuant to which the Authority will issue the Bonds, a copy of which shall be provided to Developer by Corporation at Bond Closing.

“Initial Draw” refers to Developer’s first application for payment of Project Costs, which shall not occur before Bond Closing.

“Land” means the real property located in the City of Santa Ana, Orange County, California, more specifically described on **Exhibit A** hereto.

“Laws” means any constitution, statute, ordinance, regulation, rule, resolution, judicial decision, administrative order or other requirement of any federal, state, county, municipal or other governmental agency or authority having jurisdiction over the parties or the Premises, including without limitation, any regulation or order of a quasi-official entity or body (e.g. board of fire examiners or public utilities) and all rules, laws and regulations issued thereunder, as the same may be amended from time to time.

“Notice to Proceed (Construction)” means the notice to be delivered in writing by Corporation to Developer, at or following the Bond Closing, whereby Corporation authorizes the Commencement of Construction. Corporation may not issue the Notice to Proceed (Construction) unless and until Tenant has vacated Buildings 11, 12, and 14 including the server room and all communications switches.

“Notice to Proceed (Design)” means the date of execution of this Agreement by the Corporation which shall serve as authorization for Developer to continue preparing the Design Development Documents and to prepare the Construction Documents.

“Office Building” means the building to serve as Tenant’s office facilities as described in Recital B to be constructed on the Land. The Office Building is expected to contain approximately 250,911 gross square feet of area, as more fully described in the approved and accepted Schematic Drawings, and includes the Tenant Improvements constructed therein. A site plan of the Project showing the Office Building is attached hereto as **Exhibit C**.

“Other Corporation Costs” means all costs that are stated in this Agreement to be the responsibility of Corporation or Tenant. Other Corporation Costs shall include, without limitation, Tenant’s Personal Property and any taxes thereon, any costs of Financed FF&E to the extent that Corporation’s decisions in adding FF&E or selecting FF&E causes the total cost of the Financed FF&E to exceed the FF&E line item in **Exhibit D**, Financing Costs and any other costs associated with the Bonds, costs for the ground lease by Corporation of the Land and all improvements thereon (including title, escrow and recording costs), debt service on the Bonds, attorneys’ fees and costs incurred by Corporation or Tenant, brokerage and leasing commissions or finders’ fees incurred by Corporation or Tenant, property taxes and assessments of any nature with respect to the Land or any improvements located on the Land, costs associated with any licensee, subtenant or other occupant of the Land, expenses resulting from Corporation-Caused Delays or Unavoidable Delays (including, without limitation, expenses incurred in connection with a casualty) except as otherwise provided in Section 7.2, consulting fees for any consultants engaged by Corporation, Tenant or Trustee as permitted under Section 9.3, costs associated with any lawsuit, claim or other action pending or threatened against Corporation or Tenant, except as otherwise provided in Sections 13, 15 and 24.

“Parking Structure” means the subterranean Parking Structure to be constructed on the Land. The Parking Structure is expected to contain approximately 350 parking stalls as more fully described in the approved Schematic Drawings. A site plan of the Project showing the Parking Structure is attached here as **Exhibit C**.

“Permits” means all land use approvals, permits and approvals to be obtained by Developer from the AHJ that are required for construction of the Project.

“Permitted Use” means the intended use of the Project by Tenant for its building, parking and any other lawful use consistent with the provisions of the Facility Lease and maintaining the exclusion of interest on any obligation issued to finance the Project where such interest was intended to be excludable from taxpayer gross income.

“Premises” means the entirety of the Land, the Office Building and the Parking Structure that are to be leased to Tenant under the Facility Lease.

“Prequalification Questionnaires” are questionnaires for pre-qualifying certain trade Contractors for the Project developed by Developer and/or Construction Manager and approved by the Corporation in compliance with all applicable Requirements of Laws prior to any actual pre-qualification of contractors, bid solicitation or construction.

“Project” means the total design, permitting and construction, and other professional services, and all labor, materials and equipment used or incorporated in such design and construction of the Office Building, Parking Structure, the Tenant Improvements to be constructed within the Office Building, and power to the Civic Center Garage, but specifically excludes any work not included in the Contract Documents (e.g., Corporation or Tenant provided FF&E, Tenant’s Personal Property, Corporation or Tenant provided information technology). The Project shall be consistent with the approved Project Requirements. Notwithstanding the foregoing or anything to the contrary contained in this Agreement, the Financed FF&E will be designed, provided and installed in accordance with the Detailed Specifications and Developer shall have no other obligations in connection therewith or in connection with Tenant’s Personal Property.

“Project Application for Payment” means the procedures by which requests for payment for Project Costs and other costs shall be made in accordance with Section 9 of this Agreement. The Project Application for Payment will be in the form of **Exhibit P**.

“Project Costs” means all direct and indirect costs incurred by Developer for any Project work required by the Contract Documents for the completion of the development, planning, designing, engineering, permitting, financing, estimating, bidding, and constructing of the Project, including, without limitation, all labor, materials, equipment, Financed FF&E, Reimbursable Expenses, Developer Fixed Fee, Developer Contingency, Architect costs, Construction Manager costs, Contractor costs, consultant and professionals costs, bond costs, warranty costs, close-out document costs, and taxes.

Notwithstanding anything to the contrary herein, Project Costs (including, without limitation, the Tenant Improvements) do not include and Developer shall have no responsibility for (a) Tenant’s Personal Property and any taxes thereon (which shall be paid by Tenant at its sole cost and expense); (b) Corporation Contingency; (c) Costs Resulting from Corporation-Caused Delay; (d) any increase in the cost of the Project resulting from Corporation Contingency use; (e) real property taxes and assessments with respect to the Land and the improvements thereon; (f) Other Corporation Costs; (g) maintenance or operation of the Office Building or Parking Structure

after Substantial Completion of the Project; or (h) costs associated with Tenant vacating the land, if any, including temporary office and parking arrangements for Tenant workers or visitors.

“**Project Fund**” means the fund of that name established under the Indenture for the purpose, among others, of paying Project Costs.

“**Project Requirements**” means the approved Schematic Drawings, Requirements of Law and any other requirements for the Project specifically agreed to by Corporation and Developer.

“**Project Schedule**” means the schedule for development, design, and construction of the Project as set forth on attached **Exhibit F** to this Agreement, as revised from time to time in accordance with this Agreement; provided, however, that in no event shall the Project Schedule provide for Substantial Completion of the Project to occur later than the Developer Obligation Date.

“**Punch List**” means a list of items required to be completed prior to Final Acceptance that are minor items which do not affect Corporation’s ability to lease the Premises to Tenant and do not affect Tenant’s ability to use the Premises for the Permitted Use.

“**Reimbursable Expenses**” means direct and indirect costs (e.g., Project-related printing costs, insurance, submittal exchange, etc.) incurred by Developer in developing, planning, designing, financing, and constructing the Project pursuant to this Agreement which costs are not included in other line items in **Exhibit D**, but which amounts are included within the Guaranteed Maximum Price of Project and are considered to be Project Costs. Reimbursable Expenses are paid at cost without markup.

“**Requirements of Law**” means all requirements relating to land and building construction (including those specifically applicable to Tenant’s contemplated use of the Premises), including, without limitation, if and to the extent applicable, planning, zoning, subdivision, environmental, air quality, flood hazard, fire safety, accessibility, public contracting and other governmental approvals, permits, licenses and/or certificates as may be necessary from time to time to comply with all the foregoing and other applicable statutes, rules, orders, regulations, laws, ordinances, and covenants, conditions and restrictions, which now apply to and/or affect the design, construction, existence, intended use, operation and/or occupancy of the Land, the Premises or any part thereof.

“**Retention**” means a percentage of the amount due to the Developer on a Project Application for Payment for a progress payment, that is deducted from the amount due and retained by Corporation.

“**Retention Payment**” means the Corporation’s payment to Developer, following Substantial Completion, of the Retention (or a portion thereof) being held by Corporation.

“**Sale of the Bonds**” means execution and delivery by Corporation and a bond underwriter of an agreement providing for the purchase and sale of the Bonds on terms consistent with the terms of the Facility Lease and with no conditions to the underwriter’s obligation to pay for and accept delivery of the Bonds other than those conditions contained in said agreement between Corporation and the responsible bond underwriter.

“**Savings**” means the difference (if a positive number) obtained by subtracting (a) the total aggregate sum of allowed Project Costs from (b) the authorized Project GMP (as revised pursuant to the terms of this Agreement but less any unused Developer Contingency, as unused Developer Contingency is subject to Section 12.7). Developer will separately track all Savings (whether inuring from the buy-out process, from cash discounts, or otherwise). With each application for payment, Developer will provide Corporation with its accounting of these Savings, if any. Developer may, in its sole discretion, allocate Savings between and among its line items for any Project Cost; provided that Developer advises Corporation in writing of its use, and provided further that Developer may not, in any event, allocate any Savings to increase its Developer Fixed Fee or its Construction Manager’s fixed fee. Until Final Completion, any Savings are fully available to Developer to pay for any Project Costs including Developer Contingency costs, but excluding increases in the Developer Fixed Fee. If, in the sole discretion of Developer, Developer agrees to release a portion of Savings for use by Corporation during the course of construction (recognizing that Developer is entitled to utilize Savings for Project Costs until Final Completion) to pay for costs that are Corporation’s responsibility (i.e., costs that would otherwise be paid with the Corporation Contingency), then Developer will reallocate some of its Savings to the Corporation Contingency line item for use by Corporation, subject to recoupment as provided in the following sentence. Developer may recoup all or part of such reallocation of the Savings to the extent such reallocated Savings has not been expended if the Savings is exhausted (including the Developer Contingency) and the reallocated Savings is needed to pay for Project Costs.

“**Schedule Update**” means a periodic update of the Project Schedule. The Schedule Update shall reflect Developer’s assessment of completion. Developer shall identify any events that will delay the completion of an interim milestone or the completion of the overall Project in the monthly Schedule Update, to the extent known at the time. Corporation must submit written notice to Developer within five (5) business days of receipt of the Schedule Update stating that the Corporation objects to the Schedule Update (and provide written objections to Developer within a reasonable time after the Corporation’s notice of objection); failure of Corporation to timely submit a written notice objecting to the Schedule Update will be deemed Corporation’s acceptance of the monthly Schedule Update, and the monthly Schedule Update shall become the current accepted Project Schedule. Any request for an extension of the Contract Time must be based on the accepted Project Schedule.

“**Schedule of Values**” means a detailed statement outlining the portions of the Project GMP that allocates values for the various parts of the Work and is also used as the basis for submitting and reviewing Project Applications for Payment.

“**Schematic Drawings**” means drawings establishing the general scope, conceptual design, design intent and scale and relationship among the components of the Project. The Schematic Drawings were previously prepared under the PM/D Agreement and have been approved by Corporation and Tenant.

“**Separate Contractors**” means the contractors, if any, retained by Corporation to perform any work on the Project that is not included in Developer’s scope of work, including their trade contractors of any tier.

“**Special Testing and Inspections**” means special testing and inspections for structural components such as earthwork compaction, shoring, concrete, reinforcing steel, CMU, welding, and other structural related installed systems, as set forth in **Exhibit M**.

“**Substantial Completion**” or “**Substantial Completion of the Project**” means that the Project has been constructed in substantial accordance with the Contract Documents (with the exception of any Punch List items) and AHJ has issued a temporary or final certificate of occupancy or other approval (e.g., final building inspection by building officials) sufficient for initial occupancy of the Office Building such that Corporation or Tenant is permitted to and could occupy the Office Building for its Permitted Use, including installation of the Financed FF&E identified in the Detailed Specifications; provided, however, if the delay in the issuance of the certificate of occupancy or other approval necessary to allow occupancy is attributable to an obligation of Corporation or Tenant, then this condition shall be deemed satisfied. A “Certificate of Substantial Completion” in the form attached as **Exhibit N** signed by the Architect shall evidence this date; the date will not be altered by the Architect making subsequent modifications to or reissuing the Certificate of Substantial Completion (e.g., striking “Tentative” or adding items to the Punch List) to address Corporation concerns regarding the work to be completed.

“**Substantially Complete**” or “**Substantially Completed**” means that the Project, or portion thereof, has achieved Substantial Completion.

“**Tenant**” means County of Orange, a political subdivision of the State of California, and its successors and permitted assigns as tenant under the Facility Lease.

“**Tenant Improvements**” means any improvements to the interior of the Office Building as specifically described in the Construction Documents to be completed by Developer.

“**Tenant’s Personal Property**” means Tenant’s furniture, equipment, and movable personal property placed in the Premises. Tenant shall provide and install Tenant’s Personal Property at Tenant’s sole cost and expense. Tenant’s Personal Property does not include Financed FF&E.

“**Title Policies**” shall mean the leasehold policy of title insurance issued to Corporation upon its acquisition of a leasehold interest in the Land pursuant to the Ground Lease (“**Corporation’s Title Policy**”) and the lender’s policy of title insurance issued to the Trustee upon the recording of the Facility Lease (“**Lender’s Title Policy**”).

“**Trade Contractor**” shall mean construction trade contractors providing labor, materials, and/or services with whom Developer or its Construction Manager enters into Construction Contracts.

“**Trustee**” shall mean a state banking corporation, national banking association or other financial institution with trust powers selected by Corporation to serve as the bond trustee under the Indenture or any duly authorized successor thereto appointed pursuant to the Indenture.

“**Unavoidable Delays**” means any delay in the performance by Developer or the Construction Manager of its obligations with respect to construction of the Project caused by strikes or labor disputes (other than those caused by Developer’s acts, omissions or failure to

negotiate in good faith), acts of God, unavoidable casualties, adverse weather conditions which prevent or delay Critical Path construction activities as and when scheduled by the Contractors, acts of terrorists, delays by AHJ (including, but not limited to, unanticipated delays in providing inspections or approvals by AHJ), governmental embargo restrictions, or other causes beyond the reasonable control of Developer or the Construction Manager, which, after the exercise of due diligence to mitigate the effects thereof, delay design or construction of the Project. Unavoidable Delays are not delays resulting from (a) Developer’s or the Construction Manager’s failure to comply with the terms and provisions of this Agreement or the CMAR Contract, (b) increased prices, or (c) unavailability of funds, provided the Project Costs (and all other funds payable by Corporation under this Agreement) are timely paid by Corporation in accordance with Section 9 of this Agreement. Unavoidable Delays will entitle Developer and the Construction Manager to an extension of the Developer Obligation Date, but will in no way entitle Developer to additional compensation except as provided in Section 23.7. Nothing contained herein shall prevent Developer from allocating the Developer Contingency to increased costs of constructing the Project caused by Unavoidable Delays. Any disagreements with regard to Unavoidable Delays that cannot be resolved by Developer and Corporation shall be resolved in accordance with Section 24 hereof, but (subject to Corporation’s continued funding of the Project Costs up to the amount of the Project GMP) work shall continue pending resolution of such dispute.

“**Warranty Period**” shall mean that period commencing on the date of Substantial Completion of the Project and expiring three hundred sixty five (365) calendar days thereafter.

2. Development of the Project.

2.1 Guaranteed Maximum Price of Project. Corporation hereby retains Developer and Developer shall, in accordance with the terms of this Agreement, develop and administer the design, permitting and construction phases of the Project in accordance with the terms and conditions of this Agreement. Subject to the terms of this Agreement, and provided the Project Costs are paid as and when due in accordance with Section 9 of this Agreement, Developer warrants Substantial Completion of the Project (i) constructed in a good and workmanlike manner, (ii) in substantial accordance with the Contract Documents, (iii) on or before the Developer Obligation Date, (iv) for the Project GMP (excluding any components of the Project that are not Project Costs), and (vi) free and clear of all liens. Project Costs exceeding the Project GMP shall be paid by Developer.

2.2 Corporation Contingency Costs. Corporation Contingency costs shall not be considered Project Costs but shall be included in the Project GMP for Corporation’s use and implemented by the Developer.

2.3 Diligent Efforts; Relationship of the Parties. Developer agrees that in providing the services set forth in this Agreement, Developer shall use its diligent efforts and shall furnish its best skill and judgment and shall cooperate with, coordinate, and require that the Construction Manager, Architect, all other Contractors, all other engineers, design consultants, managers and other persons retained in connection with the design, permitting, development and construction of the Project cause Substantial Completion of the Project for the Project GMP in an expeditious and economic manner consistent with the best interests of Corporation, and otherwise in a good and workmanlike manner and in

substantial accordance with the Contract Documents, on or before the Developer Obligation Date, free and clear of all liens (provided the Project Costs are paid as and when due in accordance with Section 9 of this Agreement). Developer shall perform its services in accordance with the terms of this Agreement, including, without limitation, all services to be provided by Developer as described in Section 5 herein. Developer shall not, itself, perform any construction services in connection with this Agreement, as all construction services will be performed by the Contractors, but Developer is responsible for the construction services being properly and timely performed.

2.4 Mutual Cooperation; Liability of Corporation. Developer and Corporation shall fully and in good faith cooperate with each other to accomplish each of the activities provided herein. Corporation shall have no liability or responsibility whatsoever with respect to the activities to be performed by Developer herein, except to timely pay the Project Costs as and when due and to timely perform all obligations of Corporation set forth in this Agreement pursuant to the terms and conditions contained herein.

2.5 Term. The rights and obligations of the Developer and Corporation hereunder shall commence on the date of execution of this Agreement and shall continue until expiration of the Warranty Period.

2.6 Scope of Work. Developer shall perform, or cause to be performed, all work as required by, and in accordance with, the Contract Documents. Developer shall provide and furnish, or cause to be provided and furnished, all labor, project management, supervision, funding administration, planning, scheduling, materials, testing, commissioning, inspection, quality control, tools, equipment, services and all transportation services in adequate quantity and quality to accomplish completion of the work as specified as necessary within the time period set forth. The work shall conform to the Construction Documents and all codes, regulations, laws, etc. referenced in the Contract Documents or by industry standard, including Division 01 of the Detailed Specifications. Throughout this Agreement, there are references to both Developer and Construction Manager. When a provision provides that Construction Manager is to perform some obligation under this Agreement, it is done in order to identify a specific obligation that Construction Manager will be performing; however, it is agreed that Developer is responsible for all of Construction Manager's obligations under this Agreement. Therefore, any reference in this Agreement to Construction Manager is for convenience, but it is understood and agreed that Construction Manager is not a party to this Agreement and the obligations in this Agreement are solely those of Developer and Corporation. Thus, if a provision states that Construction Manager will do or refrain from doing some act, Construction Manager will do so but Developer is liable to Corporation if Construction Manager violates the provision.

2.7 Services. Developer will (a) provide general administration of the Project; (b) manage and coordinate the Construction Manager and Consultants; (c) manage and coordinate the processing of the Construction Documents for the Project; (d) manage bidding all components of construction for the Project, including requiring that any competitive bidding requirements applicable to the Project are complied with in accordance

with the bidding requirements of this Agreement and any Corporation approved procurement plan (including the Corporation-approved procurement plan attached as **Exhibit R**), pre-qualification or best value process; (e) enter into a contract with Construction Manager to construct the Project, oversee the Contractors, and to complete the Project Work in accordance with the Construction Documents; and (f) manage and coordinate the services provided by its Construction Manager, for the purpose of causing the Project to be completed within the Project GMP, in accordance with the Construction Documents, and within the time periods set forth in the Project Schedule.

3. Project Financing.

3.1 Issuance of Bonds. Corporation intends to cause the issuance of Bonds by Authority in one series for sale on one date in a principal amount sufficient to pay the Project Costs, Financing Costs and other costs payable pursuant to the terms of the Indenture.

3.2 Disbursal of Proceeds. A portion of the proceeds from the sale of the Bonds in an amount sufficient to pay the Project GMP shall be deposited into the Project Fund held by the Trustee and shall be used to pay Project Costs and other costs in accordance with the terms of the Indenture and this Agreement.

4. Project Design. Developer shall cause design services to be performed by qualified and licensed (as applicable) architects, engineers and other professionals retained by Developer, and paid as part of the Project Costs.

4.1 Selection of Development Team for Project. Developer shall have the right in its reasonable discretion with Corporation's Representatives approval to select professionals as necessary or desirable for the design, permitting, construction, and development of the Project. Except as otherwise provided in this Agreement, all amounts paid to the entities outlined above and any others hereinafter engaged by Developer in connection with the performance of its duties and responsibilities under this Agreement shall be part of the Project Costs and Project GMP.

4.2 Design Contracts. Developer has entered into the Architect's Agreement with the Architect. Developer will enter into contracts with other design professionals such as waterproofing, Special Testing and Inspections, etc.

4.3 Assignment of Certain Agreements. Upon written notice from the Trustee to Developer of the occurrence of an Event of Default under the Indenture, Developer shall assign this Agreement, the Architect's Agreement and the CMAR Contract, together with such other Construction Contracts as the Trustee may request, to Trustee for such time as the Event of Default in the sole judgment of the Trustee remains uncured.

4.4 Project GMP Breakdown. **Exhibit D** sets forth by line item and category all Project Costs, including the Developer Contingency and Developer's Fixed Fee.

4.5 Drawings. Under a separate contract, Developer has caused the Architect to prepare the Schematic Drawings, which are complete and have been approved by Corporation and Tenant. Developer shall cause the Architect to prepare the Design Development Drawings and Construction Drawings and Detailed Specifications for the Project, except where noted (e.g., design/build and deferred approval elements) for Corporation's approval. The intention of the parties is to cooperate in good faith to provide a completed design which meets all Requirements of Law and is consistent with all Project Requirements and the building quality reflected therein. The Construction Drawings and Detailed Specifications for the Project shall include, at a minimum, all architectural services set forth under Basic Services in the Architect's Agreement and such other architectural services as may be necessary to provide Construction Documents for the Project. The Construction Drawings and Detailed Specifications will be prepared in accordance with the revised A-E Guide/Responsibilities Matrix, dated 5/24/18 ("A-E Guide"), the Building 14 Basis of Design ("Basis of Design"), and the revised Workplace Guidelines, dated 2/24/16 ("Workplace Guidelines"), which are Attachments E-G, respectively, to the PM/D Agreement (except the Basis of Design, which has been updated since the PM/D Agreement, and the applicable Basis of Design is attached as **Exhibit T**), and which Attachments are incorporated herein by reference. In the event of conflicts between this Agreement and/or the three attachments, the order of precedence is: this Agreement, then the Basis of Design, then the revised Workplace Guidelines, and then the revised A-E Guide.

4.6 LEED Certification. Developer shall use commercially reasonable efforts to obtain a Leadership in Energy and Environmental Design ("**LEED**") Silver certification from the U.S. Green Building Council ("**USGBC**") with respect to the Office Building. Corporation acknowledges that the design decisions made by it and by Tenant will have an impact on the LEED certifications received and will work in good faith with Developer when making those decisions to consider their potential impact on LEED certifications. Developer shall keep Corporation apprised throughout the design process of any design decisions that may affect the LEED certifications of the Office Building and with respect to any preliminary determinations made by the USGBC with respect to the LEED certification of those improvements. It is anticipated that the final determination by the USGBC of the LEED certification of the Office Building will not occur until after Final Acceptance, and such final determination by the USGBC of the LEED certification will not be a condition precedent to Final Acceptance or Final Payment.

4.7 Corporation's Review. Corporation and Tenant may participate in all design meetings with Developer, Architect, and other design professionals as appropriate in the course of the development of the Construction Documents in order to facilitate the approval of such Construction Documents in accordance with the terms of this Agreement. Corporation and Tenant shall promptly review **Exhibit D** and all Construction Drawings and Detailed Specifications submitted in accordance with this Agreement and shall give Developer written notice within the time frame for such decision in accordance with the Project Schedule (or if no such time is provided in the Project Schedule then within five (5) business days following its receipt of **Exhibit D** and/or Construction Drawings and Detailed Specifications) of its approval or disapproval thereof, specifying in the case of its disapproval, each specific reason therefor. Corporation shall have the right to disapprove

such Construction Drawings and Detailed Specifications which (i) do not meet the Project Requirements, (ii) do not comply with Requirements of Law, (iii) with respect to Drawings, are not consistent developments of the previous drawings approved by Corporation and Tenant, or (iv) propose changes in work or materials that would result in a material change in appearance or diminution in quality of the Project. The parties acknowledge that the Construction Documents are intended to add additional detailing to the approved Schematic Documents, and are not intended to change the design intent. Consequently, Corporation and Tenant may object or comment on the Design Development Documents and Construction Documents only to the extent that they are inconsistent with or were not previously included in the approved Schematic Documents, or the comments are for non-material changes (i.e., changes that do not increase Developer's costs or time). If no written objections or comments are received by Developer from Corporation within such the applicable time period, then the submittals shall be deemed approved. Corporation's Representative and Tenant will have twenty (20) business days to review and approve the Construction Documents. The parties acknowledge that Developer will concurrently submit the Construction Documents for building department plan check during the Corporation and Tenant's review. Corporation and Tenant will review the Construction Documents revised after the first building department plan check and provide written comments or approval to Developer within five ten (5) business days of receipt from Developer. If subsequent reviews are necessary, Corporation and Tenant will review resubmitted plans within five (5) business days for the second review, and five (5) business days for a third review. Corporation and Tenant will not be given additional time for 4 or more reviews. If Corporation or Tenant fail to provide written comments or approval within the above time frames, then Corporation and Tenant will be deemed to have approved the Construction Documents.

4.8 Resubmittals. If objections or comments are submitted in writing within the time frame and in accordance with the requirements set forth in the preceding subsection, Developer shall cause the Architect to make changes in the Construction Drawings and/or Detailed Specifications consistent with reasonable objections or comments made by the Corporation or Tenant and shall resubmit the same to Corporation and Tenant in accordance with the foregoing schedule for further review. The process of resubmittal and review shall continue until the submittals have been approved by all the parties. The final Construction Drawings and Detailed Specifications setting forth in detail the requirements for the construction of the Project which have been approved by Corporation and Tenant are called the Construction Documents. There shall be no material change in the Construction Documents except as set forth in Section 8 below.

4.9 Permit and Construction Documents. Developer shall cause the Architect and other design professionals to prepare Construction Documents as required for submittal of the Permits to the AHJ(s) in accordance with Section 6 hereof, and as required for construction of the Project by the Contractors.

5. Construction Management Services. Developer shall, through its Construction Manager, provide Corporation with all construction administration and construction management services necessary or desirable to cause Substantial Completion of the Project on or before the

Developer Obligation Date, all in a good and workmanlike manner and in substantial accordance with the Contract Documents, including, without limitation, the following:

5.1 Preconstruction Phase. The Preconstruction Phase is the time period from the execution of this Agreement until the Commencement of Construction. During the Preconstruction Phase, Developer will have the following duties:

(a) Design: Developer shall review all design work done by Architect and other design professionals for the design and development of the Project. Developer shall expeditiously review design documents during their development and advise Corporation on proposed site use and improvements, selection of materials, building systems and equipment and methods of Project delivery. Developer shall provide recommendations on relative feasibility of construction methods, availability of materials and labor, and time requirements for procurement, installation, construction and factors related to construction costs including, but not limited to, costs of alternative designs or materials, budgets and possible economics.

(b) Schedule: Developer shall prepare and periodically update the Project Schedule for Corporation's acceptance. Developer shall obtain the Architect's approval for the portions of the preliminary Project Schedule relating to the performance of their services. Developer shall coordinate and integrate the Architect's services into the Project Schedule and Developer's and Corporation's responsibilities with anticipated construction schedules, highlighting critical and long lead time items.

(c) Constructability: Developer shall consult with Corporation and Architect regarding the Construction Documents and make recommendations whenever design details adversely affect constructability, cost or schedules.

(d) Temporary Facilities: Developer shall require that the Construction Manager establishes the assignment of responsibilities for temporary Project facilities and equipment, materials and services for common use of the Contractors. Developer shall verify that such requirements and assignment of responsibilities are included in the proposed Contract Documents.

(e) Categories of Work: Developer shall require that the Construction Manager determines the division of the Project into individual contracts for various categories of work, including the method to be used for selecting Trade Contractors and awarding Construction Contracts. Developer shall require that the Construction Manager reviews the Construction Documents as required to provide that: (1) the work of the Contractors is coordinated; (2) all requirements for the Project have been assigned to the appropriate Construction Contract; (3) the likelihood of jurisdictional disputes has been minimized; and (4) proper coordination has been provided for phased construction.

(f) Construction Schedule: Developer shall prepare a Project Schedule providing for the components of the work and shall consult with the Construction

Manager, Corporation and Tenant in connection with the preparation and updating of the Project Schedule, including phasing of construction, times of commencement and completion required of each Contractor, ordering and delivery of products requiring long lead time, and the occupancy requirements of Corporation. Developer shall provide the current Project Schedule to the Construction Manager for each set of bidding documents. Unless a specific software application is called for elsewhere in the Contract Documents, Developer will require Construction Manager to use Microsoft Project, SureTrak Project Manager, Primavera Project Planner, or other scheduling software acceptable to Corporation to configure all versions of its construction schedule. Developer will require Construction Manager to prepare the construction schedule using the critical path format. Schedule activities shall be of sufficient detail to assure that adequate planning has been done for proper execution of all of the construction work. Developer will provide Corporation with electronic access to pdf versions of the submittals.

(g) Weekly Meetings and Look-Ahead Charts: Developer shall chair weekly meetings with Corporation and the construction team during which the parties shall exchange information regarding the actual progress of construction. Corporation, Developer, and Construction Manager shall attempt to agree upon quantities and percentages of completion that reflect the actual progress of construction. At each meeting Construction Manager shall submit 4 copies of a 2-week look-ahead chart. The 2-week look-ahead chart shall include at a minimum those activities that will be started, in progress, or completed during the next 2-week period. The format of the look-ahead chart shall be subject to Corporation's approval, which will not be unreasonably withheld.

(h) Long Lead Time Items: Developer shall require the Construction Manager to expedite and coordinate the ordering and delivery of materials requiring long lead times.

(i) Consultants: Developer shall select and coordinate the professional services of surveyors, special consultants and testing laboratories, deputy inspections and other, special inspections under contract with Developer as required for the Project and included in Developer's scope under the Contract Documents.

5.2 Bidding.

(a) Competitive Bidding: Developer will require its Construction Manager to cause the various construction trade elements of the Project to be competitively and publicly bid in accordance with competitive bidding requirements pursuant to this Agreement under separate bid documents for each such construction trade or group of trades to multiple trade contractors, and in accordance with the optional pre-qualification procedure set forth in subsections (b) and (c), subject to subsections (l), (m), and (n). Developer and its Construction Manager will administer the public competitive bidding and, to the extent allowed by law, negotiating procedures. Developer and its Construction Manager may

solicit bids for one or more portions of the Project, with additional bid solicitations to follow; provided, however, that Developer and its Construction Manager will not cause the Project to be constructed through incrementally limited contracts with Trade Contractors so as to avoid the competitive bidding laws applicable to the Corporation, if any. Trade Contractors will enter into written contracts with Developer or its Construction Manager for such work of improvement of the Project. Developer will ensure that the requirements of this Section 5.2 are incorporated into the CMAR Contract and make the CMAR Contract subject and subordinate to this Agreement.

(b) Pre-Qualification: The Corporation or Corporation's Representative, Construction Manager, and Developer may jointly determine to pre-qualify contractors to bid on portions of the Project. If Corporation or Corporation's Representative, Construction Manager, and Developer agree to pre-qualify certain trades, then Developer and/or Construction Manager will prepare Pre-Qualification Questionnaires for Corporation's approval. Subsequent to Corporation's approval of the Pre-Qualification Questionnaires, and within the time period allowed for in the Project Schedule, Developer or its Construction Manager will publish notices soliciting Trade Contractors to pre-qualify to bid on the portions of the Project that Corporation or Corporation's Representative, Construction Manager, and Developer determined to pre-qualify, all in accordance with applicable Requirements of Law.

(c) Procurement Plan: Within the time period allowed for in the Project Schedule, Developer and Construction Manager will cause bid documents to be prepared for each individual construction trade element of the Project that is to be separately bid ("**Bid Documents**") pursuant to the procurement plan attached as **Exhibit R**, which has been approved by Corporation, subject to subsection (m). Developer will solicit lump sum or cost plus with a guaranteed maximum fixed-price bids for each individual construction trade element or package of the Project that is to be separately bid, pursuant to the approved Bid Documents, from the contractors in that construction trade.

(d) Bid Bonds: The Bid Documents will include a provision requiring that a bid bond accompanying a bid must include a rider naming Developer and Construction Manager as dual obligees.

(e) Bid Process: Developer, Construction Manager, or the Architect will answer questions of bidders and generate addenda to the Bid Documents, as necessary, during the bidding process for each individual construction trade element of the Project that is to be separately bid. Developer or its Construction Manager will open and evaluate all complete bids received. Corporation or Corporation's Representative may, at its election, attend the opening of bids.

(f) Analysis: Developer shall require the Construction Manager to provide an analysis of the types and quantities of labor required for the Project and shall review with the Construction Manager the availability of appropriate categories of labor required for critical phases. Developer shall make

recommendations for actions designed to minimize adverse effects of labor shortages.

(g) Bidders Interest: Developer shall require the Construction Manager to develop bidders' interest in the Project, establish bidding procedures, issue bidding documents to bidders and conduct pre-bid conferences with prospective bidders. Developer shall require the Construction Manager to submit the list of prospective bidders for Corporation's review. Developer shall assist the Construction Manager with respect to questions from bidders and the issuance of addenda.

(h) Receiving Bids: Developer and the Construction Manager shall receive bids, prepare bid analyses, and award contracts or reject bids. Developer and its Construction Manager have the right to reject all bids for a portion of the work and re-bid the work.

(i) Awarding Contracts: If one or more complete bids for the individual construction trade element of the Project is/are received from a responsive and responsible bidder, as determined jointly by Developer and its Construction Manager, then Construction Manager may enter into a contract with each Trade Contractor for performance of each individual construction trade element of the Project for the fixed-price or cost plus with a guaranteed maximum price on the bid submitted by the Trade Contractor. To the extent consistent with applicable law, Developer and its Construction Manager also have the right to have responsible, responsive bidders submit a best and final offer.

(j) Rejecting Bids: To the extent consistent with applicable law, if Developer and/or its Construction Manager determine that a particular low bidder is non-responsive, is not responsible, or for any other reason should not be awarded the Construction Contract at issue, they will promptly reject the bid and may award the contract to the next lowest responsible, responsive bidder.

(k) Bidder Default: To the extent consistent with applicable law, if Developer or its Construction Manager awards a Construction Contract, but the successful bidder fails to execute the Construction Contract, then the following will apply:

(1) If Developer or its Construction Manager awards the Construction Contract to the second lowest bidder, then the amount of the lowest bidder's security will be applied by Developer or Construction Manager to the difference between the low bid and second lowest bid, and the surplus, if any, will be returned to the lowest bidder if cash or a check is used, or to the surety on the bidder's bond if a bond is used.

(2) Developer or its Construction Manager will be entitled to retain the amount of the lowest bidder's security.

(l) Best Value: In addition to the above procedures for bidding, Trade Contractors may also be selected based on qualifications or a combination of qualifications and price. The selection of Trade Contractors is the responsibility of the Construction Manager. Corporation must timely advise Developer, in accordance with the Project Schedule, if there are any Trade Contractors (including vendors or suppliers) that Corporation specifies to be sole-sourced (including, but not limited to, BMS systems, technology infrastructure, elevators, etc.). Developer will procure the elevators on a best value basis.

(m) Trade Contractor Procurement Plan: Developer and its Construction Manager prepared a Trade Contractor procurement plan which has been approved by Corporation. This Trade Contractor procurement plan identifies those Trade Contractors (including vendors and suppliers) anticipated to be selected by qualifications only per subsection (n) and those Trade Contractors anticipated to be selected by qualifications and competitive bid per subsection (l). However, notwithstanding the Trade Contractor procurement plan attached as **Exhibit R**, Developer may elect (with Corporation's consent which will not be unreasonably withheld) on a trade-by-trade basis to select, or direct its CMAR to select, Trade Contractor(s) on a negotiated, sole-source basis if Developer deems it is in the best interests of the Project.

(n) Negotiated Trade Contractors: Developer may select Trade Contractor(s) (including vendors or suppliers) based only on their qualifications when the Developer can demonstrate it is in the best interest of the Project.

(1) Qualification based selection of a Trade Contractor should only occur during the design phase services under an approved guaranteed maximum price to achieve maximum benefit of the Trade Contractors' involvement.

(2) The Developer or its Construction Manager shall apply the approved Trade Contractor procurement plan in the evaluation of the qualifications of a Trade Contractor, subject to subsection (m).

(3) The Construction Manager will negotiate costs for services/supplies from each Trade Contractor selected under this method.

(o) Construction Manager Self-Performing: Construction Manager will not be allowed to self-perform any work, including by force account, with the exception of daily safety, clean-up, demolition, and miscellaneous carpentry work, except that Construction Manager (or its affiliates) may bid on specific trade scope(s) of work with the written consent of Corporation provided that the following procedures are implemented for any trade that Construction Manager (or its affiliate) bids:

(1) Developer will advertise and pre-qualify local trade contractors for the particular trade that Construction Manager is bidding.

(2) Developer will manage the trade contractor bidding process per the approved procurement process (**Exhibit R**). The bidding process for the particular scope will be explained in detail and will be part of the trade RFP.

(3) Construction Manager may develop a bid per the same trade bid package as all of the trade contractors. All bids for the trade work shall be sealed bids and must be delivered directly to Developer.

(4) Developer will deliver all bids, including Construction Manager's, to Corporation's Representative for analysis per the approved procurement process.

(5) If Construction Manager is awarded the particular trade work, Construction Manager will be issued the same trade-contract agreement as all the other trade-contractors (except that change orders would be subject to Subsection (6), below).

(6) If Construction Manager is awarded the trade work, there shall be no change orders for current scope of trade work. In case there is added scope, Construction Manager shall follow required guidelines when submitting cost to Developer for review and shall follow the following protocol:

- Cost submitted by Construction Manager
- Developer will review cost for added scope, quantities, labor, material selection and pricing.
- Developer will contact Construction Manager with questions/concerns in regards to the added cost.
- Developer will review this cost in person with Construction Manager.
- Developer will send cost proposal to design team to review added scope.
- If deemed acceptable by design team, Developer will submit this cost proposal to Corporation.
- Developer and Construction Manager will meet with Corporation and explain added scope, review quantities and potential Change Order details.

(p) Compliance with Requirements of Law. Developer shall be aware of and adhere to and obey all Requirements of Law applicable to the bidding of the Project.

5.3 Construction Phase. The Construction Phase is the time period from the Commencement of Construction until Final Acceptance. During the Construction Phase, Developer will have the following duties:

(a) Administer CMAR Contract: Developer shall administer the CMAR Contract for the Project in cooperation with the Architect.

(b) Coordination: Developer shall provide administrative, management and related services to coordinate scheduled activities and responsibility of those under contract with Developer with each other and with those of the Developer, Corporation and Architect to manage the Project substantially in accordance with the Project Schedule and Contract Documents.

(c) Project Schedule: Developer shall require the Construction Manager to update the construction schedule incorporating the activities of the Contractors on the Project, including activity sequences and duration, allocation of labor and materials, processing of shop drawings, product data and samples and delivery of products requiring long lead time and procurement. The Project Schedule shall include Corporation's occupancy requirement showing portions of the Project having occupancy priority. Developer shall update and reissue the Project Schedule as required to show current conditions. If an update indicates that the previously approved Project Schedule may not be met, Developer shall require the Construction Manager to take any necessary corrective action so as to cause the Project to be Substantially Completed on or before the Developer Obligation Date. Developer shall require the Construction Manager to schedule and coordinate the sequence of construction so as to cause Substantial Completion of the Project on or before the Developer Obligation Date.

(d) Administration of Agreements: Developer shall administer the Architect's Agreement and Developer shall require the Construction Manager to administer all Construction Contracts with Trade Contractors. Developer shall notify and consult with Corporation and Corporation's Representative regarding any material breaches or defaults by any party to a Construction Contract relating to the Project.

(e) Cash Flow Reports: Developer shall develop, as and when necessary, cash flow reports and forecasts for the Project (including variances between actual and budgeted costs) and provide Corporation with copies of same.

(f) Inspections and Testing: In consultation with the Architect, Developer shall require the Construction Manager to oversee the course of construction and Developer will engage third parties to conduct such inspections and testing of materials to ensure that the work is being performed in substantial accordance with the requirements of the Contract Documents in a good and workmanlike manner, free of defects and deficiencies in work. Developer shall reject all work which does not conform to the requirements of the Contract Documents and cause corrective action to be taken.

(g) RFIs: Developer shall transmit to Architect requests for interpretations of the meaning and intent of Construction Drawings and Detailed Specifications and assist in the resolution of questions that arise.

(h) Submittals: Developer shall expedite the processing and approval of shop drawings, product data samples and other submittals.

(i) Changes: Section 8 of this Agreement shall control with regard to changes in the work.

(j) Progress Reports: Developer shall record the progress of the Project. Developer shall require the Construction Manager to submit written monthly progress reports to Corporation, showing percentages of completion. Developer shall require the Construction Manager to maintain a daily log, containing a record of weather, each Trade Contractor's work on the site, number of workers, identification of equipment, work accomplished, problems encountered progress photos, and such other information as Corporation may require.

(k) Record Drawings: Developer shall require the Construction Manager to maintain at the Project site or at Developer's offices in Irvine, California or at Construction Manager's offices in Irvine, California, for Corporation one record copy of all Construction Documents, addenda, change orders and other modifications, in good order and marked currently to record changes and selections made during construction together with approved shop drawings, product data samples and similar required submittals. Developer shall maintain records, in duplicate, of principal building layout lines, elevations of the bottom of the footings, floor levels and key site elevations certified by a qualified surveyor or professional engineer. All such records shall be made available to Architect and Corporation upon request and, upon completion of the Project, duplicate originals shall be delivered to Corporation.

(l) Contractor Pay Apps: Developer shall develop and implement procedures for the review and processing of applications by Contractors for progress and final payments.

(m) Project Pay Apps: Based on the Developer's observations and evaluations of each Contractor's Application for Payment, the Developer shall review and certify the amounts due the respective Contractors. The Developer shall prepare Project Applications for Payment based, in part, on the Contractors' Applications for Payment.

(n) Certifications: Each Project Application for Payment and certification of the Contractor(s)' certificates for payment shall constitute a representation to Corporation based on the Developer's overall supervision of the course of construction, inspections conducted at the site, and review of the data comprising the Contractors' Application for Payment that, to the best of Developer's knowledge, information and belief (which may be based on similar

representations from the Architect and Construction Manager), the work has progressed to the point indicated and the quality of the work is in substantial accordance with the Contract Documents (subject to minor deviations from the Contract Documents correctable prior to completion and to specific qualifications expressed by Developer in Developer's Project Application for Payment).

(o) Final Testing and Start-Up: Developer shall supervise the final testing and start-up of utilities, operational systems and equipment, in the presence of Corporation's maintenance personnel if so requested by Corporation.

(p) Punch List: When Developer considers each Contractor's work or a designated portion thereof Substantially Complete, the Developer shall, jointly with the Architect, prepare for the Contractor a list of incomplete or unsatisfactory items (Punch List) and a schedule for their completion. Developer shall assist Architect in conducting inspections to determine whether the work or designated portion thereof is Substantially Complete.

(q) Final Completion: Developer shall require the Construction Manager to coordinate the correction and completion of the work, including all Punch List items, and shall evaluate the completion of the work of the Contractors and make final recommendations to the Architect when the Project or any designated portion thereof has achieved Final Completion. Developer shall require the Construction Manager to maintain a database of all punch list items or otherwise unsatisfactory items observed and record the resolution of these items. Developer shall assist Architect in conducting final inspections of the work.

(r) Timely Completion: Developer shall take such other and further action as may be necessary or desirable to cause the Project to be Substantially Completed on or before the Developer Obligation Date.

5.4 Costs. Developer shall require the Construction Manager to include in all Construction Contracts that all Trade Contractors shall comply with all applicable requirements of the Labor Code throughout the performance of this Agreement, including but not limited to the following:

(a) Wage Rates: Construction Manager and all Trade Contractors, as the case may be, shall comply with the provisions of California Labor Code Sections 1771 et seq., and shall pay workers employed for construction of the Project on this Agreement not less than the general prevailing rates of per diem wages and holiday and overtime wages as determined by the Director of Industrial Relations. Developer shall require Construction Manager to post all job site notices as required by Labor Code Section 1771.4(a), including a copy of these wage rates for each craft, classification, or type of worker needed in the performance of this Agreement. Copies of these rates are on file at the principal office of Corporation's Representative, or may be obtained from the State Office, Department of Industrial Relations ("**DIR**") or from the DIR's website at www.dir.ca.gov. If this Agreement is federally funded, Construction Manager and any Trade Contractors shall not

pay less than the higher of these rates or the rates determined by the United States Department of Labor.

(b) Wage Rate Penalty: Construction Manager and all Trade Contractors, as the case may be, shall comply with the provisions of Labor Code Section 1775. Developer, Construction Manager and all Trade Contractors shall be subject to a penalty in an amount up to \$200, or a higher amount as provided by Section 1775, for each calendar day, or portion thereof, for each worker paid less than the prevailing wage rates for any construction work done by the Construction Manager or Trade Contractors under this Agreement.

(c) Work Hour Penalty: As provided by Labor Code Section 1810, 8 hours of labor shall constitute a legal day's work, and 40 hours shall constitute a legal week's work. The time of service of any worker employed for construction work pursuant to this Agreement shall be restricted to 8 hours during any one calendar day, and 40 hours during any one calendar week, except as provided herein. Developer shall forfeit to Corporation \$25, or a higher amount as provided by Labor Code Section 1813, for each worker employed in the performance of construction of the Project under this Agreement by Developer or Construction Manager or by any Trade Contractors for each calendar day during which such construction worker is required or permitted to work more than the legal day's or week's work, except as provided by Labor Code Section 1815.

(d) Registration of Contractors: Construction Manager and all Trade Contractors, as the case may be, must comply with the requirements of Labor Code Section 1771.1(a), pertaining to registration of contractors pursuant to Section 1725.5. Registration and all related requirements of those sections must be maintained throughout the performance of this Agreement.

(e) Payroll Records: Construction Manager and all Trade Contractors, as the case may be, shall comply with the requirements of Labor Code Section 1776. Such compliance includes the obligation to furnish the records specified in Section 1776 directly to the Labor Commissioner in an electronic format, or other format as specified by the Commissioner, in the manner provided by Labor Code Section 1771.4. The requirements of Labor Code Section 1776 provide in part:

(1) Construction Manager and all Trade Contractors performing any portion of the construction work under this Agreement shall keep an accurate record, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by Construction Manager or any Trade Contractors in connection with the work.

(2) Each payroll record shall contain or be verified by a written declaration that it is made under penalty of perjury, stating both of the following:

(A) The information contained in the payroll record is true and correct.

(B) The employer has complied with the requirements of Labor Code Sections 1771, 1811, and 1815 for any work performed by his or her employees in connection with this Agreement.

(3) The payroll records shall be certified and shall be available for inspection at the principal office of Construction Manager on the basis set forth in Labor Code Section 1776.

(4) Developer shall inform Corporation of the location of the payroll records, including the street address, city and county, and shall, within five working days, provide a notice of any change of location and address of the records.

(5) Pursuant to Labor Code Section 1776, Developer, Construction Manager and all Trade Contractors, as the case may be, shall have 10 days in which to provide a certified copy of the payroll records subsequent to receipt of a written notice requesting the records described herein. In the event that Developer, Construction Manager or any Trade Contractor fails to comply within the 10-day period, he or she shall, as a penalty to Corporation, forfeit \$100, or a higher amount as provided by Section 1776, for each calendar day, or portion thereof, for each construction worker to whom the noncompliance pertains, until strict compliance is effectuated. Developer acknowledges that, without limitation as to other remedies of enforcement available to Corporation, upon the request of the Division of Apprenticeship Standards or the Division of Labor Standards Enforcement of the California Department of Industrial Relations, such penalties shall be withheld from progress payments then due Developer.

(f) Apprentices: Unless this Agreement involves a dollar amount less than that specified in Labor Code Section 1777.5, this Agreement is governed by the provisions of Section 1777.5. Developer shall require Construction Manager to comply with Labor Code Section 1777.5 for all apprenticeable occupations. Construction Manager and all Trade Contractor(s), as the case may be, shall comply with Labor Code Section 1777.6, which forbids discriminatory practices in the employment of apprentices on any basis listed in Government Code Section 12940, except as provided in Labor Code Section 3077.

6. Permits.

6.1 Permits. Developer shall obtain all Permits necessary to construct the Project pursuant to any and all Requirements of Law. For those Permits yet to be acquired as of the date of the execution of this Agreement, Corporation shall have five (5) business days to review any Permit application Developer intends to submit. Corporation's failure

to object to terms or conditions of a Permit application, after being timely provided by Developer, shall constitute Corporation's approval of the same and Corporation's authorization for Developer to submit the Permit application. For those Permit applications already submitted by Developer prior to the execution of this Agreement, Corporation shall receive a copy upon request. Corporation shall join in any application for Permits as required, at the expense of Developer (but subject to Section 8.18 and if there are any additional fees required by an AHJ or any fees imposed by an AHJ exceeds the amount set forth in **Exhibit D** then the additional or excess fee will be an Other Corporation Cost). Developer shall pursue issuance of such Permits with reasonable diligence to meet the Project Schedule.

6.2 Costs. All costs associated with issuance of the Permits, including the cost of any required off-site improvements, shall be Allowances.

6.3 Schedule and Delays. Corporation and Developer anticipate issuance of Permits by all AHJ and Commencement of Construction within the time allowance set forth in the Project Schedule set forth as **Exhibit F** hereto, and any delay in issuing the required permits by AHJ will be an Unavoidable Delay except to the extent that the delay is caused by the fault or neglect of Developer. The Project Schedule shall be updated by mutual agreement of Developer and Corporation from time to time as reasonably required to reflect the status of the Project. Except as otherwise provided in this Agreement, there shall be no increase in the Project GMP as a result of any delay in issuance of the Permits or commencement or completion of construction of the Project unless due to Costs Resulting from Corporation-Caused Delay, but the delay in issuing Permits by the AHJ at no fault of the Developer will be an Unavoidable Delay as set forth above.

7. Construction.

7.1 Commencement of Construction. As soon as reasonably practical following Bond Closing, and issuance of Permits by all AHJ, Corporation will issue to Developer a written Notice to Proceed (Construction). Within five (5) business days of Corporation's issuance of the Notice to Proceed (Construction) (which date will be the commencement date for construction in the Project Schedule), Developer shall require Commencement of Construction to occur and such work is diligently and continuously prosecuted to Final Completion. Developer shall coordinate the sequencing of all construction and shall require all other Contractors to commence construction of that portion of the work covered under their respective Construction Contracts and diligently and continuously prosecute such work to Final Completion. Developer warrants to the Corporation that materials and equipment incorporated into the Project shall be new unless otherwise specified.

7.2 Delays.

(a) Time Extensions. The Developer Obligation Date shall be extended to the extent of (i) Unavoidable Delays; and (ii) Corporation-Caused Delays. Extensions of time due to weather or force majeure, when granted, will be on a 1 to 1 day basis of calendar days credit for every Critical Path calendar day lost, with the credit for each

separate extension rounded off to the nearest whole calendar day. Developer shall not be entitled to any extension under this Section if the unforeseen circumstances occur beyond the Developer Obligation Date (as adjusted pursuant to this Agreement).

(b) **Liquidated Damages.** The parties hereto agree that in the event that the Project is delayed that Corporation's actual damages are difficult to estimate. As such, and as Corporation's sole remedy for delay, Developer agrees to forfeit and pay to Corporation the sum of \$45,000 per day as liquidated damages, and not as a penalty ("**Liquidated Damages**") for each calendar day that Substantial Completion of the Project is delayed beyond the Developer Obligation Date, as that may be adjusted pursuant to the terms of this Agreement. Corporation may deduct such sum from any payments due to or to become due to Developer.

7.3 Guaranteed Maximum Construction Price Contract. As part of the Project GMP, the Project shall be constructed pursuant to one CMAR Contract for the entire Project which shall contain the Guaranteed Maximum Construction Price. Within ten (10) days after award of the CMAR Contract, Developer shall require Construction Manager to furnish a payment bond for 100% of the amount of the construction portion of the Guaranteed Maximum Construction Price, in accordance with Civil Code Section 9554, and a performance bond for 100% of the amount of the construction portion of the Guaranteed Maximum Construction Price, guaranteeing the faithful performance of the CMAR Contract. Developer shall require Construction Manager to take steps to assure that the penal sum of the bonds shall be increased by the amount of any additive adjustments to the Guaranteed Maximum Construction Price as a result of Corporation Contingency use, if necessary. Developer shall require Construction Manager to have the payment and performance bonds each be issued by a surety that: (a) is authorized by the California Insurance Commissioner to transact surety insurance in the State of California; (b) has assets exceeding its liabilities in an amount equal to or in excess of the amount of the bonds; and (c) acts in compliance with Insurance Code Section 12090. The payment and performance bonds shall be in the form attached hereto as **Exhibit O**. Developer shall require Construction Manager to have the Developer, Corporation and Trustee be named as obligees under each payment and performance bond pursuant to a rider or riders as set forth in **Exhibit O**. If any surety upon any bond furnished in connection with this Agreement becomes objectionable to Corporation and fails to submit to Corporation the documents described in California Code of Civil Procedure Sections 995.660(a)(1) through (a)(4) within the time specified in those Sections, then Developer shall require Construction Manager to promptly furnish such additional security as may be reasonably required by Corporation to protect the interests of Corporation and of persons entitled to make a claim against the payment bond as of that time. Failure to furnish such additional security shall constitute a material breach of the agreement. Construction Manager may elect to deliver to Corporation, in the amount of 10% of the construction costs for the Project, concurrent with the release of the Performance Bond, a warranty bond conditioned upon Developer or Construction Manager correcting any defective work of improvement or materials incorporated into the Project that is discovered within the Warranty Period. In lieu of a warranty bond, Construction Manager, at its election, may extend the Performance Bond for one year following Substantial Completion of the Project to cover defective materials and workmanship.

7.4 Construction Contracts. Developer shall require Construction Manager to include in all Construction Contracts recitations or provisions requiring the following:

(a) **Labor Code §1700:** Provisions requiring all Contractors employed on the Project to be responsible to pay the prevailing rate of wages as defined in California Labor Code Sections 1700 et seq. and available on the Department of Industrial Relations websites (but expressly excluding the Davis-Bacon Act and any rules and regulations promulgated thereunder), and to indemnify Corporation, Tenant, Developer and Trustee for claims arising out of failure to pay proper wages;

(b) **Safety:** Provisions for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the Project; and

(c) **Indemnity:** Provisions for indemnifying Corporation, Tenant, Developer and Trustee for claims arising out of the negligence or willful misconduct of such Contractor and its employees and agents.

(d) **Assignment:** Provisions for assignment to the Trustee upon an Event of Default under the Indenture for which Developer has received written notice from the Trustee.

7.5 Protection of Persons and Property.

(a) **Safety:** Developer shall require the Construction Manager to be responsible for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the Project.

(b) **Damage:** Developer shall require the Construction Manager to take reasonable precautions for safety of, and shall provide reasonable protection to prevent damage, injury or loss to: (1) all persons working on the Project construction site and all other persons who may be affected thereby; (2) the Project and materials and equipment to be incorporated therein; and (3) other property at or adjacent to the site.

(c) **Notices:** Developer shall require the Construction Manager and all other Contractors to give notices and comply with all applicable laws, ordinances, rules, regulations, and orders of public authorities bearing on the safety of persons and property and their protection from damage, injury or loss.

7.6 Insurance During Construction. Insurance shall be provided by Developer, Corporation, Architect and Contractors in accordance with the provisions of Section 16 of this Agreement.

7.7 Use of Developer Contingency. The amounts set forth in the various line items of **Exhibit D** are estimates only of Project Costs to be incurred. To the extent the actual Project Costs in any line item of **Exhibit D** exceed the amount shown for such line item, Developer shall first allocate amounts in other line items, in which the actual known

Project Costs shall have been less than the amount in **Exhibit D** to the line item in which the excess Project Cost(s) has occurred. Following the allocation by Developer as set forth in the preceding sentence with respect to all line items, except Developer Contingency, Developer shall be fully entitled to draw upon the Developer Contingency line item of **Exhibit D** and use the Developer Contingency in its entirety, if necessary, to pay the Project Costs that fall within the categories of the Pre-Approved Developer Contingency Uses or, after obtaining consent of the Corporation, which consent will not be unreasonably withheld, for Project Costs that do not fall within the categories of the Pre-Approved Developer Contingency Uses. The allocation of the Developer Contingency for costs within the categories of the Pre-Approved Developer Contingency Uses is at the reasonable discretion of Developer. For Project Costs that do not fall within the categories of the Pre-Approved Developer Contingency Uses, Developer may use the Developer Contingency only with the consent of the Corporation, which consent will not be unreasonably withheld. The Developer Contingency is also subject to the provisions of Section 12.7 if there is any unused Developer Contingency following Final Acceptance.

7.8 Completion of Construction. Developer shall achieve Substantial Completion of the Project on or before the Developer Obligation Date, provided the Project Costs, as and when due, and any other Corporation costs are timely paid by Corporation in accordance with Section 9 hereof. Following Substantial Completion, Developer shall require the Construction Manager to diligently achieve Final Completion of the Project. Developer, Architect, and Corporation will complete and execute the Final Completion form (**Exhibit L**) promptly upon Final Completion. Corporation must provide written notice to Developer within ten (10) business days of receipt of the Final Completion form signed by Developer and Architect of all objections that Corporation has to executing the Final Completion form. Corporation's failure to timely provide written objections will be deemed to be Corporation's waiver of any objections.

7.9 Warranties. Developer shall require the Construction Manager to secure, for the benefit of Corporation, all warranties and guarantees of the work by Contractors, suppliers and manufacturers of components of the Project. Upon Final Acceptance, Developer shall require the Construction Manager to assign such warranties to Corporation (provided that such warranties shall also be for the benefit of Developer). After Final Acceptance of the Project (including Developer's obligation under Section 14.3 to provide the written warranties to Corporation) and during the Warranty Period, Developer shall assist Corporation to enforce any warranties or guarantees with respect to the Project upon request. The CMAR Contract shall provide a minimum of a one (1) year warranty for workmanship with respect to the Office Building. Without increasing the Project GMP, Developer and Corporation have agreed that Developer shall require the Construction Manager to obtain warranties of equal or longer periods from Trade Contractors and material suppliers for the fixtures, services, or subcontracts only as set forth in the Detailed Specifications that will be included in the Architect's Project Manual; provided, however, that the Developer shall not be required to assist Corporation to enforce any warranties or guarantees that extend beyond the Warranty Period. Developer warrants that materials and equipment furnished under the Contract Documents will be new, of good quality, and carrying all available manufacturers' and installers' warranties; that construction will be of good and workmanlike quality; and that all of the work shall be performed in strict

conformance with the requirements of the Contract Documents, industry standards, and manufacturers' recommendations. Work not conforming to these requirements shall be considered defective ("**Defective Work**"). Defective Work does not include damage caused by modifications not executed by Construction Manager or a Contractor, improper operation or maintenance, abuse, or normal wear and tear under normal usage. Unless otherwise provided in the Contract Documents, Corporation's acceptance of Developer's work shall be accomplished by Corporation recording a Notice of Completion as promptly as practicable after completion, inspection, and testing of all work required by the Contract Documents. The start date of Developer's warranty obligations, and of the manufacturers' and installers' warranties required by the Contract Documents, will be the issuance of the Certificate of Substantial Completion by the Architect. Corporation's acceptance of the work shall not be construed to limit Corporation's rights under the Contract Documents or release Developer from any responsibility for latent defects, for correcting defective work, or for honoring any warranty obligations of the Contract Documents.

7.10 Correction of Work. During the Warranty Period, Developer (or Construction Manager or the applicable Trade Contractor, on behalf of Developer) shall take immediate action to correct any Defective Work reported by Corporation in writing. Developer shall initiate corrective action on Defective Work affecting use of a facility, safety, or preservation of property within forty-eight (48) hours after notification. Developer shall initiate corrective action on other Defective Work within ten (10) calendar days after notification. If Developer fails to initiate corrective action within the specified times or fails to complete the corrective work within a reasonable time, Corporation may take whatever corrective action it deems necessary after giving written notice to Developer of the default. All reasonable costs incurred by Corporation because of Developer's failure to correct Defective Work during the Warranty Period shall be due and payable immediately by Developer along with a ten percent (10%) administrative fee. The Warranty Period relates only to the specific obligation of Developer to return to the Project site and correct Defective Work. The Warranty Period does not establish a period of limitations with respect to any of Developer's other obligations under the Contract Documents, including but not limited to Developer's warranty, and it has no relationship to the time within which Corporation may seek to enforce the Developer's obligation to comply with the Contract Documents or to the time within which proceedings may be commenced to establish the Developer's liability with respect to any of the Developer's obligations. Warranty costs (to the extent not borne by insurance) shall be Project Costs. At Final Acceptance, there shall remain at least \$50,000 in the Project Costs Account in the Project Fund to cover these items during the Warranty Period; said \$50,000 shall be held by Trustee in trust upon Final Acceptance to be applied toward warranty work (including Developer's administration costs for the warranty work) in accordance with the CMAR Contract, with any amounts not so expended to be treated as Corporation's Savings in accordance with, and subject to the limitations in, Section 12.7 below; however if there are no funds left in the Project Costs Account in the Project Fund (including the Developer Contingency) to pay for the corrective action, such costs shall be paid by Developer from its own funds. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Sections 7.8, 7.9 and 13), the warranties to be provided or obtained by Developer or Contractors shall not include and shall not be applicable with respect to any of the Financed FF&E except for those items that are expressly set forth in

the Detailed Specifications. All manufacturers' and installers' warranties received by Developer or its Construction Manager shall be assignable to Corporation (and by Corporation to Tenant), and upon abandonment, termination, or completion of this Agreement shall be deemed, and hereby are, assigned to Corporation. Developer shall take actions within its direct control necessary to preserve the full scope of all manufacturers' and installers' warranties for the benefit of Corporation and shall take no action that would impair Corporation's rights under any such warranties. Before Corporation's acceptance of the work, Developer shall deliver to Corporation manufacturers' and installers' warranties, guarantees, instruction sheets, and parts lists, which are furnished with certain articles of materials incorporated in the work. All of Developer's warranty obligations shall survive abandonment, termination, and completion of this Agreement. Neither Final Payment nor any other provision in the Contract Documents shall constitute Corporation's acceptance of work not performed in accordance with the Contract Documents nor relieve Developer of liability with respect to its warranty obligations or for Defective Work.

7.11 Stop Work by Corporation. If Developer fails to correct defective work as required, or persistently fails to carry out work in accordance with the Construction Documents, Corporation, by written order, may order Developer and its Construction Manager to stop the work, or any portion thereof, until the cause for such order has been eliminated.

7.12 Developer Default. If Developer defaults or neglects to carry out the work in accordance with the Contract Documents and fails within ten (10) calendar days after receipt of written notice from Corporation to commence and continue correction of such default or neglect with diligence and promptness, then Corporation may, without prejudice to other remedies Corporation may have, act to correct such deficiencies. In such case an appropriate change order shall be issued deducting from the Project GMP the costs of correcting such deficiencies along with a ten percent (10%) administrative fee. If the payments then or thereafter due Developer are not sufficient to cover the amount of the deduction, Developer shall pay the difference to Corporation. Such action by Corporation shall be without prejudice to any other rights or remedies to which Corporation may be entitled under this Agreement or applicable law.

7.13 Work by Separate Contractors. If requested by Corporation, Developer shall, as part of the Work, provide for the coordination of the Work to be performed by Corporation's own forces or Separate Contractors, if any, with the Work to be performed by Developer. Developer shall use reasonable efforts to cooperate with Corporation and all Separate Contractors, and Corporation shall use reasonable efforts to cooperate with Developer, Construction Manager, and Contractors. In order to cause the Work and any work to be performed by Separate Contractors to be completed in an expeditious manner, Developer agrees that it will use reasonable efforts in order to ensure that Corporation's own forces or Separate Contractors have a reasonable opportunity to complete their work as and when required. Developer has no responsibility to supervise or otherwise manage the work of Corporation's own forces or Separate Contractors or to ensure its proper execution. Corporation shall cause its own forces and each of its Separate Contractors, if any, to maintain commercial general liability insurance (naming Developer and Construction Manager as additional insureds) in amounts reasonably approved by

Developer and workmen's compensation insurance in not less than the minimum required statutory amount, and providing for a waiver of subrogation. Additionally, the Corporation's own forces and Separate Contractors must comply with Developer's schedule, safety procedures, site rules, and other reasonable rules and regulations. If the Developer claims that delay or additional cost is involved because of such action by the Corporation or its Separate Contractors, the Developer shall make such Claim as provided in Section 8. The Developer shall afford the Corporation and Separate Contractors reasonable opportunity for introduction and storage of their materials and equipment and performance of their activities. The Developer shall reimburse the Corporation for costs the Corporation incurs that are payable to a Separate Contractor because of the Developer or the Construction Manager's delays, improperly timed activities or defective construction that impact Separate Contractors. The Corporation shall be responsible to Developer for costs (as an Other Corporation Cost) and delays (as an Corporation-Caused Delay) that Developer or Contractors incur because of delays, improperly timed activities, damage to the work or defective construction by Corporation's own forces or Separate Contractors.

7.14 Compliance with Requirements of Law. Developer shall be aware of and adhere to and obey all Requirements of Law applicable to the construction of the Project.

8. Changes to the Work.

8.1 No Changes Without Corporation Approval. Following approval of the Construction Documents by Corporation there shall be no changes in the work except in accordance with this Section 8.

8.2 Developer Approved Changes in the Work. It is anticipated that there will be field orders and change orders which shall result in minor changes or field adjustments to the scope of work. Developer shall use its reasonable efforts to apprise Corporation of proposed changes in the work and its recommendations regarding them prior to any action being taken. It is anticipated that it may not always be possible to receive Corporation's prior approval to these changes in a timely manner. Therefore, minor non-substantial field orders and change orders may be approved by the Developer, without prior Corporation approval (but with notice to the Corporation's Representative), but only if the changes authorized by these field orders and change orders shall not have the effect of extending the Developer Obligation Date or materially altering the work or increasing any Project Cost. As soon as practical, but no later than with the next Project Application for Payment, Developer shall provide Corporation with all field orders and/or change orders approved by Developer. For the purposes of this Section an alteration shall be deemed to be "material" if it would reduce the intended quality of the Project, result in an increase of Corporation's operational costs over time, result in a substitution of any of the systems in the Project (including but not limited to HVAC, plumbing, electrical, elevators, roofing, fire and life safety, security systems, and infrastructure components) or increasing any Project Cost. In the case of either a material alteration or a change that would result in failure to Substantially Complete the Project by the Developer Obligation Date, prior written approval by the Corporation's Representative of the proposed change must be received.

8.3 Change in the Work Initiated by Corporation. If Corporation desires to initiate a change by using Corporation Contingency (whether remaining Corporation Contingency or Developer's Savings reallocated to Corporation Contingency as described in the definition of Corporation Contingency), then Corporation shall issue a written request ("**Change Request**") which shall set forth in reasonable detail the nature of the change and the type of quote requested (lump sum or time-and-materials with a not-to-exceed amount) and whether such change involves additions, deletions, or other revisions to the Contract Documents. Within seven (7) calendar days of receiving Corporation's Change Request (or such longer time if approved by Corporation because the scope of the requested change reasonably requires more time to analyze the cost and time impacts, such approval not to be unreasonably withheld), Developer shall present to Corporation a detailed proposal for change in Project GMP and/or a change in the Developer Obligation Date, if any. If such change causes an increase or decrease in Developer's cost or the time required for performance of the work, an equitable adjustment shall be made and the Project GMP and/or Developer Obligation Date modified in writing accordingly by a writing signed by Corporation and Developer. Corporation may initiate a change only if the costs thereof are available in the Corporation Contingency or if the parties identify and agree on a source of funds to pay for the change prior to execution of the change.

8.4 Claims by Developer. If Developer believes that it has a claim for a change in Project GMP or Developer Obligation Date, then Developer shall submit, within 14 business days of the event giving rise to the proposed change, a written request ("**Request for Change**") to Corporation to issue a Change Order. Timely written notice to Corporation (including meetings where Corporation or Corporation's Representative is present) is essential to Corporation's identification, prioritization, and response to claimed changes, including any claimed delays. Developer's Request for Change shall include a description of the proposed change in the Contract Documents, the event or circumstance giving rise to the need for the change, and any proposed change in the Project GMP and/or Developer Obligation Date associated with the Request for Change, to the extent known at the time. If the Request for Change includes a proposal to extend the Developer Obligation Date, then Developer shall (to the extent known), provide to Corporation a description of: (a) the cause(s) for the proposed extension of time, including but not limited to causal events and responsible persons and organizations and any mitigation efforts that Developer attempted to avoid or minimize the claim; (b) the dates (or anticipated dates) of performance of the changed work; (c) activities on the Project Schedule affected by the change, any new activities created by the change, and their relationship with existing activities; (d) the anticipated extent of any claimed increase to the Developer Obligation Date; and (e) the recommended action to avoid or minimize the increase. If Developer fails to take reasonable steps to mitigate a claim, then the claim will be limited or denied to the extent that such reasonable mitigation efforts would have limited or avoided the claim. If Corporation agrees that a change in the Contract Documents is appropriate, then Corporation may use the same options described in the "Lump Sum Change Orders" and "Time-and-Materials Change Orders" Sections below in response to Developer's Request for Change, to be paid for out of Corporation Contingency funds. If, in the sole discretion of Developer, Developer agrees to release a portion of Savings for use by Corporation during the course of construction (recognizing that Developer is entitled to utilize Savings for Project Costs until Final Completion) to pay for costs that are Corporation's

responsibility (i.e., costs that would otherwise be paid with the Corporation Contingency), then Developer will reallocate some of its Savings to the Corporation Contingency line item for use by Corporation, subject to recoupment as provided in the following sentence. Developer may recoup all or part of such reallocation of its Savings if Developer exhausts its Savings (excluding the Developer Contingency) and needs the reallocated Savings to pay for Project Costs. In the event of a claim or litigation arising from any disagreement involving Developer's Request for Change, Developer's compensation (if any) shall be limited to an amount calculated in accordance with the "Time-and-Materials Change Orders" Section below. If Corporation does not agree that a change in the Contract Documents is appropriate, Corporation will direct Developer how to proceed by unilateral change order as discussed below.

8.5 Lump Sum Change Orders. For a lump sum change, Developer's proposal shall be itemized and supported with sufficient substantiating data (including but not limited to detailed Trade Contractor estimates, supplier quote sheets, prices, invoices, and rate sheets) to permit evaluation with respect to the following costs:

- (a) Labor (showing hourly rate multiplied by estimated hours);
- (b) Payroll taxes on labor;
- (c) Materials, supplies, and equipment (include unit costs and estimated quantities);
- (d) Machinery and equipment rental (include rental rates and estimated durations);
- (e) Sales, use, or similar taxes related to the work;
- (f) Other Items: Corporation may authorize other items that may be required for the changed work. Such items include labor, services, material, and equipment that are different in their nature from those required for the work and that are of a type not ordinarily available from Developer or any of its Contractors;
- (g) Reasonable overhead and profit associated with the change, not to exceed 15% on above items if Developer or its Construction Manager uses its own forces to perform changed work. If Developer's Consultants or Construction Manager's Contractor's forces perform changed work, then the Consultant or Contractor shall be entitled to a maximum of 15% on above items and Developer or its Construction Manager, as applicable, shall be entitled to a maximum of 6% on above items for its overhead and profit on the changed work. Corporation will pay only one overhead and profit markup of 6% for Developer or its Construction Manager and one markup of 15% for the Consultant or Contractor in connection with changed work, regardless of the actual number of intervening Consultants or Contractors involved in the changed work; and
- (h) Premiums for all bonds and insurance (bond to be billed at actual cost, insurance to be billed at the agreed Reimbursable Expenses insurance rate,

and Developer shall provide documentation demonstrating it will actually incur an increase in bond costs directly attributable to the change).

Corporation may reject Developer's lump sum proposal, may negotiate with Developer a revision of the requested change and associated lump sum proposal, or may approve the Developer's lump sum proposal and incorporate it into a Change Order.

8.6 Time and Materials Change Orders. For a time-and-materials change, Corporation shall determine (if Corporation and Developer cannot agree, in which case the Corporation's determination is a Unilateral Change Order) the adjustment to the Project GMP on the basis of actual costs as follows:

(a) Cost of materials and supplies (show actual unit cost multiplied by actual quantity). The cost of materials shall be at invoice price, plus freight and delivery. Corporation reserves the right to approve materials and sources of supply or to mutually agree to supply materials to Construction Manager if necessary for the progress of the work. No markup for overhead and profit shall be applied to any material provided by Corporation.

(b) Tool and equipment rental. Corporation will not pay for the use of tools that individually have a replacement value of \$200 or less. Regardless of ownership, the equipment rental rates shall be based upon the edition of equipment rental rates published by the Caltrans Division of Construction, or locally available rate or other reference acceptable to Corporation current as of the date the changed work is performed. The rental rates paid shall include the cost of fuel, oil lubrication, supplies, small tools, necessary attachments, repairs and maintenance of any kind, depreciation, storage, insurance, and all incidents. Necessary loading and transportation costs for equipment used on the changed work shall be included. If equipment is used intermittently and, when not in use, could be returned to its rental source at less expense to Corporation than holding it at the work site, it shall be returned, unless Developer elects to keep it at the work site at no additional expense to Corporation (i.e., Corporation still responsible for cost that Developer would have incurred by returning the equipment and then bringing it back to the site). All equipment shall be acceptable to Corporation, in good working condition, and suitable for the purpose for which it is to be used. Manufacturers' ratings and approved modifications shall be used to classify equipment and it shall be powered by a unit of at least the minimum rating recommended by the manufacturer. The reported rental time for equipment already at the work site shall be the duration of its use on the changed work, commencing at the time it is first put into actual operation on the changed work, plus the time required to move it from its previous site and back or to a closer site. Developer shall submit invoices for tool and equipment rental costs. If Developer does not submit invoices, Corporation may establish the rental costs at the lowest price which was current at the time the changed work was performed.

(c) Cost of labor (show actual total hourly rate multiplied by actual hours spent on changed work). The costs of labor shall not exceed the wages

prevailing for each craft or type of workers performing the changed work at the time the changed work is done. The costs of labor shall include the actual basic hourly rate, plus employer's actual regular payments for health and welfare, pension, vacation or holiday, training, and other direct costs resulting from federal, State or local laws, as well as assessments or benefits required by lawful collective bargaining agreements and shall be supported by payroll records. The costs of labor shall not include any amount for bonuses or extraordinary vacation or holidays. The use of a labor classification that would increase the changed work cost will not be permitted unless Developer establishes the necessity for such additional costs. Labor costs for equipment operators and helpers shall be reported only when such costs are not included in the invoice for equipment rental. The labor cost for foremen shall be proportional to all of their assigned work and only that applicable to changed work shall be paid. Non-direct labor costs including superintendence shall be considered part of the markup for overhead and profit below.

(d) Sales taxes on materials (percentage of item (a), above).

(e) Payroll tax on labor (percentage of item (c), above).

(f) Insurance (workers' compensation and liability insurance).

(g) Other Items. Corporation may authorize other items that may be required for the changed work. Such items include labor, services, material, and equipment that are different in their nature from those required for the work and that are of a type not ordinarily available from Developer or any of its Contractors. Developer shall submit invoices covering all such items in detail.

(h) Overhead and profit. Developer shall receive a maximum 15% for overhead and profit on above items if Developer or its Construction Manager uses its own forces to perform changed work. If Developer's Consultants or Construction Manager's Trade Contractor's forces perform changed work, then the Consultant or Trade Contractor shall be entitled to a maximum of 15% on above items for its overhead and profit and Developer or its Construction Manager, as applicable, shall be entitled to a maximum of 6% on above items for its overhead and profit on the changed work. Corporation will pay only one overhead and profit markup of 6% for Developer and/or its Construction Manager and one markup of 15% for the Consultant or Trade Contractor in connection with changed work, regardless of the actual number of intervening Consultants or Contractors involved in the changed work.

(i) Bond and insurance (bond to be billed at actual cost, insurance to be billed at the agreed Reimbursable Expenses insurance rate, and Developer shall provide documentation demonstrating it will actually incur an increase in bond costs directly attributable to the change).

Developer shall keep and present, in such form as attached hereto, an itemized accounting of the costs or savings attributable to the changed work, together with

appropriate supporting data. Upon request by Corporation, Developer shall permit Corporation to inspect Developer's original estimate for the Project, subcontract agreements, or purchase orders relating to the change. Upon completion of the changed work ordered to be performed on a time and materials basis, Corporation will then issue a Unilateral Change Order adjusting the Project GMP according to the actual costs incurred and, if appropriate, adjusting the Developer Obligation Date.

8.7 Unilateral Change Orders. If Corporation and Developer cannot reach an agreement on a proposed change, Corporation may issue a Unilateral Change Order directing work on a time-and-materials basis as set forth above, and Developer reserves the right to dispute any determination made by Corporation in accordance with the procedures set forth in **Exhibit H**.

8.8 No Extension of Time Without Impact to Critical Path. Developer shall not be entitled to an extension of the Developer Obligation Date unless Developer demonstrates a delay to the Critical Path shown on the most recent Project Schedule. If Corporation and Developer do not agree on either entitlement to, or the amount of, the extension of the Developer Obligation Date, then the disagreement will be resolved by the dispute resolution procedures set forth in Section 24.

8.9 No Additional Compensation for Early Completion. Nothing contained in the Contract Documents creates any contractual right, express or implied, on the part of Developer to receive additional compensation for early completion of the Project.

8.10 No Changes After Substantial Completion. If Corporation issues additive change orders after Substantial Completion for the Project, then such additive change orders will be considered Additional Services, and the work to be performed under those change orders will not delay the release of Retention to Developer for the Project (which will become due without regard to the status of the work that constitutes Additional Services), regardless of whether the applicable Notice of Completion has been recorded. Corporation and Developer will enter into a new contract for the Additional Services, and the Developer (or its Construction Manager) shall enter into new contracts with Contractors to perform such Additional Services or shall take other steps necessary to insure that the Additional Services do not extend the date by which Contractors for the original services can file mechanic's liens or stop payment notices. Corporation will pay Developer compensation for Additional Services consisting of (a) the actual costs incurred by Developer for the Additional Services, (b) Developer's hourly rates then in effect for the time Developer's personnel spend on the Additional Services, and (c) Reimbursable Expenses at actual cost incurred by Developer in performing the Additional Services.

8.11 Credits. Regardless of whether the equitable adjustment associated with changed work is recorded through a lump sum or time-and-materials Change Order: (1) if the net value of a change to the work results in a credit from Developer, then the credit given shall include costs as well as overhead and profit; or (2) if the net value of a change to the work results in additional costs, then overhead and profit will only be applied to the amount by which the added costs of the change exceed the credited amount. When a change proposed by Corporation results in the deletion of work and the Corporation and

Developer are unable to agree upon the cost, overhead, and profit thereof, the Corporation's estimate of the cost, overhead, and profit shall be deducted from the Project GMP by a Change Order unless within 15 days of receiving the Corporation's estimate Developer presents proof that the Corporation's estimate is in error.

8.12 Overhead and Profit. Developer shall receive a maximum 15% for overhead and profit on actual costs included in a change order if Developer or its Construction Manager uses its own forces to perform changed work. If Developer's Consultants or Construction Manager's Trade Contractor's forces perform changed work, then the Consultant or Contractor shall be entitled to a maximum markup of 15% on actual costs included in the change order for its overhead and profit and Developer and/or its Construction Manager shall be entitled to a maximum markup of 6% on actual costs included in the change order for its overhead and profit on the changed work. Corporation will pay only one overhead and profit markup of 6% for Developer and/or its Construction Manager and one markup of 15% for the Consultant or Trade Contractor in connection with changed work, regardless of the actual number of intervening Consultants or Contractors involved in the changed work. Regardless of whether the equitable adjustment associated with changed work is recorded through a lump sum or time-and-materials Change Order, the amount Corporation pays for overhead and profit shall be Developer's only compensation for: all costs of supervision, superintendence, and scheduling; wages of timekeepers, watchmen, and clerks; tools individually valued at \$200 or less; incidentals; any and all field and home office expenses; costs of estimating and preparing change orders; all impact costs including but not limited to lost productivity associated with "learning curves," "productivity factors," and "ripple effects;" and all other expenses not included in itemized costs.

8.13 Compensation for Delay. Developer shall be compensated for its substantiated actual, direct expenses, together with the markup for overhead and profit described in "Overhead and Profit" above, resulting from Corporation-Caused Delay. Under no circumstances shall Corporation compensate Developer for extended home office overhead or profit based on an "Eichleay formula" or any other proportionate allocation of Developer's overhead expenses or profit, all of which shall be deemed to have already been included in the above-described markup. If Corporation believes that it is entitled to delay damages, then Corporation must submit, within 14 business days of the event giving rise to the claim, a written claim to Developer describing the delay and the amount of delay damages. Corporation's written notice is a condition precedent to Corporation's claim and to the commencement of delay damages.

8.14 Modifications. Upon execution of this Agreement, Developer will commence its services under this Agreement. It is understood and agreed that as work proceeds on the Project, certain clarifications and modifications may need to be made, including adjustments in floor plans, circulation, site work, and elevations, as well as detailing of materials, colors, and finishes. Modification of the scope of Work, and any interpretations of the Project documents having a substantial impact on the Project, may be approved by the Corporation's Representative; provided, however, that except as authorized in writing by Corporation, under no circumstances will the cost of the Project work exceed the Project GMP. Any approvals by the Corporation's Representative

required under this Section 8.14 must be made in a reasonably timely manner so as not to impact the Project work or Project Schedule; failure to respond in a reasonably timely manner will result in a Corporation Caused Delay.

8.15 Minor Field Changes. Developer has the right during the course of construction of the Project to make “minor field changes,” without seeking the approval of Corporation, except to the extent that any such changes increase the cost of the Project GMP to Corporation (or Other Corporation Costs) or individually or cumulatively delay the completion of the Project beyond the Developer Obligation Date. “Minor field changes” are defined as those changes from the approved Construction Drawings and Detailed Specifications that have no material effect on the Project and are made in order to expedite the work of construction in response to field conditions. Nothing contained in this section will be deemed to constitute a waiver of or change in the applicable building code requirements governing any such “minor field changes” or in any approvals by Corporation otherwise required for any such “minor field changes.” “Minor field changes” will be documented, in writing, in daily field logs, record drawings, or equivalent, and will be made available for Corporation inspection.

8.16 Conditions Affecting the Work.

(a) Existing Site Conditions: Information regarding the work site represented in the geotechnical reports (identified in **Exhibit Q**) is believed to be correct; Corporation does not warrant either the completeness or accuracy of such information, but Developer may rely on the completeness and accuracy of such geotechnical reports identified in **Exhibit Q**.

(b) Site Investigation and Representation: Developer acknowledges satisfaction as to the nature and location of the work; the general and local conditions, particularly those bearing upon availability of transportation and access to the site; disposal, handling and storage of materials; availability of labor, water, electric power, telephone, and roads; uncertainties of weather or physical conditions at the site; the conditions of the ground; the character of equipment and facilities needed prior to and during the performance of the work; and all matters that can in any way affect the work or the cost thereof under this Agreement. Developer and Corporation have mutually agreed on the amount and types of on-site investigation (limited solely to the parceled area of the Office Building, with no investigation performed for off-site work that Developer may be required to perform) to be done by Developer, and Developer has performed the mutually agreed on-site investigation. Therefore, if Differing Site Conditions (including, but not limited to, soil conditions, archeo-paleo artifacts, regulated items, environmental issues, etc.) are found either on-site or off-site, then Developer may make a claim for additional costs and/or schedule delay.

(c) Topographic Maps: Topographic maps identified in **Exhibit Q** were used in the Project design. Bidders may inspect such maps upon request to the Developer, or may obtain copies upon payment of the cost to reproduce the copies. Notwithstanding the foregoing, the OC Public Works, on behalf of Corporation,

provided or caused to be provided the ALTA survey for the Project site, and Developer, Architect, and Construction Manager have reviewed and concurred and are relying on its accuracy for the preparation, planning, and performance of their services and work.

(d) Differing Site Conditions: Developer shall promptly, but in no event more than 7 days after the condition is first observed, notify Corporation in writing of the following site conditions and shall leave such conditions undisturbed until otherwise directed by Corporation:

(1) Subsurface or latent physical conditions at the site differing materially from those represented in the Contract Documents listed in **Exhibit E** or **Exhibit Q**;

(2) Unknown physical conditions at the site differing materially from those ordinarily encountered and generally recognized as inherent in work of the character provided for in this Contract; and

(3) Material differing from that represented in the Contract Documents which Developer believes may be hazardous waste pursuant to Health & Safety Code Section 25117.

(e) Corporation Investigation: Upon written notice of Differing Site Conditions from Developer, Corporation shall promptly investigate such conditions. If Corporation finds that such conditions do materially differ and cause an increase or decrease in the cost of or the time for performance of the work, Corporation may, at its discretion: (a) terminate all or part of this Agreement in accordance with Section 23.7; (b) issue a written change to this Agreement in accordance with Section 8; or (c) make any other appropriate arrangements to address the Differing Site Conditions. Any claim by Developer for adjustment hereunder shall not be allowed unless Developer has given proper notice.

(f) Disputes: If a dispute arises between the parties hereto as to whether the conditions constitute Differing Site Conditions or affect the price or time for performance of any part of the work: (a) Developer shall submit a written notice of potential claim to Corporation including all information relating to the Differing Site Conditions that Developer has available to it at the time Developer delivers the notice of potential claim (and, if Developer decides to make a formal claim, then Developer will make a separate, formal claim pursuant to and in accordance with the requirements in Section 8.4); (b) Developer shall then proceed with all work to be performed under this Agreement; and (c) pending resolution of the claim, Developer shall not be excused from any scheduled completion date provided for by this Agreement. Developer shall retain any and all rights provided either by this Agreement or by law which pertain to the resolution of disputes between the parties hereto.

8.17 Changes in Requirements of Law. Corporation and Developer shall negotiate a Change Order to equitably adjust the Project GMP and/or Project Schedule if: (a) the completion of the Project is adversely affected by the enactment, adoption, promulgation, modification or repeal of any Requirements of Law applicable to the design or construction of buildings or facilities leased by public agencies after the date on which applicable permits are obtained; or (b) there are any costs incurred resulting from (i) new or increased government fees or assessments (including fees not included in **Exhibit D**) or (ii) from rulings on the part of state or local public officials beyond code and industry practice which are not known or anticipated at the date of execution of this Agreement and/or not included in the Contract Documents. Developer shall give notice to Corporation of any such conditions in accordance with this Section 8.

9. Payment of Project Costs. Trustee will act as disbursing agent and hold and disburse money on deposit in the Project Fund to pay Project Costs and other costs in accordance with the Indenture and this Agreement. Corporation will direct the Trustee to make monthly disbursements from the Project Fund to Developer for Developer to then pay Project Costs. So long as there has not occurred an Event of Default by Developer under this Agreement, such disbursements from the Project Fund shall continue until the full Project GMP has been disbursed (except as provided in Sections 11 and 12 hereof) or the Project has been completed. Disbursements received by Developer from the Project Fund shall, except as otherwise expressly provided herein, be used solely to pay the Project Costs. Upon Developer's compliance with its obligations under this Agreement regarding Project Applications for Payment, Corporation shall take all such action as is necessary and required to obtain such disbursements by the Trustee in accordance with the Indenture.

9.1 Applications for Payment. On or before the twenty-fifth (25th) day of the month immediately preceding a month in which Developer will submit a Project Application for Payment, the Corporation, Tenant, Developer, and Construction Manager will meet to review a preliminary draft of such Project Application for Payment prepared by Developer (hereinafter referred to as a "**Pencil Draw**"). During the Pencil Draw meeting, the parties will agree on the percentage complete for each line item, which may be projected to the last day of the month. Developer will revise the Pencil Draw in accordance with any reasonable objection or recommendation of Corporation that is consistent with the requirements of the Contract Documents. Such revised Pencil Draw will be resubmitted by Developer to Corporation as the Project Application for Payment due on the tenth day of the month immediately following the month in which the Pencil Draw was first submitted. The Project Application for Payment will be in the form of **Exhibit P**. Developer will also submit with each Project Application for Payment a written narrative describing the basis for any item set forth in the Project Application for Payment that does not conform to instructions of Corporation in connection with any applicable Pencil Draw. Developer shall submit to Corporation on or before the tenth day of the following month for which it is seeking payment a Project Application for Payment signed by Developer, which shall also include a pay application submitted by the Construction Manager consistent with the terms of the CMAR Contract. The Project Application for Payment shall request payment of a specified dollar amount, which shall constitute a portion of the Project GMP, reasonably detailed to reflect the amount of the Project Costs actually expended in each category of **Exhibit D**. Such Project Application for Payment

shall request the appropriate amount of hard or soft costs based on a percentage of completion basis with respect to such work as of the date of such Project Application for Payment, less retainage being withheld by the Construction Manager from any of the Contractors. When Retention that has been previously withheld from a pay application submitted by the Construction Manager is to be paid by the Construction Manager to a Contractor, it shall be added to the next pay application of the Construction Manager submitted to Developer and included in the next Project Application for Payment.

Project Costs other than hard and soft construction costs that are incurred or paid on a schedule that is not related to percentage of completion (e.g., Developer Contingency paid only as allocated by Developer to specific costs incurred, Developer's Fixed Fee paid as described in Section 11.3, Developer's Reimbursable Expenses paid as described in Section 11.2, reserves for warranty work paid only after Substantial Completion, the 150% holdback for uncompleted Punch List items, payment of unutilized contingency accounts or construction savings to Corporation and/or Developer, etc.) shall be included in the Project Application for Payment only when such items are to be paid in accordance with other provisions of this Agreement, without regard to the percentage completion of the Project. Developer may also include in a Project Application for Payment the full amount (with no Retention withheld) for deposits for Commodities or for purchases of Commodities that require advance payment (e.g., the Financed FF&E) that will be paid by Developer within thirty (30) calendar days of Developer's receipt of the payment of the requested deposit or advance payment.

Developer shall also provide a reconciliation between the total of all draw amounts requested (including such draw request) under a Project Application for Payment and the then-current **Exhibit D** and include all the information and documentation required to be provided by the Construction Manager to the Corporation pursuant to the CMAR Contract, as well as a conditional partial lien release from the Construction Manager and from such laborers, contractors and Trade Contractors performing work on site as Corporation may require, to become effective upon payment to the Construction Manager or such other payees of the amount of the payment specified in said Contractor's Application for Payment, and an endorsement to the Lender's Title Policy and a similar endorsement to the Corporation's Title Policy showing no liens or claims of lien; provided, that if a lien has been filed, Developer and/or its Construction Manager may resolve such lien in accordance with Section 19 below. Developer shall provide copies of all conditional partial lien releases to the title company issuing the Title Policies and shall execute an indemnity agreement with the title company in a form sufficient to enable the title company to issue the foregoing endorsements. Each Application for Payment must include:

(a) An accepted Schedule of Values and Schedule Update with a narrative report (if requested), all approved in writing by Corporation and all developed in accordance with Section 5.1(f), to the extent that they are required. Developer's submissions of an accepted Project Schedule, Schedule Updates, and Schedule of Values are conditions precedent to Corporation's processing of Applications for Payments that request payment of construction costs;

(b) Photographic documentation of completed work (as requested);

(c) If requested, Developer shall within a reasonable time (estimated to be 60 days) provide three copies of certified payrolls from Developer and all Contractors for the period covered by the Application for Payment, with one copy having all pertinent information visible and two copies having the workers' names, addresses, and social security numbers blacked out or proof that the certified payrolls were electronically submitted to the DIR's eCPR system, if acceptable to Corporation;

(d) Evidence satisfactory to Corporation that Developer is fulfilling its obligations under the Contract Documents with respect to preparing daily reports and maintaining up-to-date As-Built Plans;

(e) Conditional waivers and releases on progress payment or final payment (as applicable) from Developer, those Contractors of any tier, and those suppliers claiming funds covered by the Application for Payment, and unconditional waivers and releases on progress payment or final payment from Developer, Construction Manager, those Contractors of any tier, and those suppliers who received funds through the preceding applications for payment, all in the form prescribed by Civil Code Sections 8120 through 8138 (provided, however, that with respect to Contractors and suppliers, unconditional waivers and releases will exclude the prior two months' payments); and

(f) Any other administrative documentation reasonably required by Corporation or as agreed upon.

The Application for Payment shall show the total value of work completed or partially completed as of the date of submission of the Application for Payment, including 100% of the value of materials delivered to the Project site and not yet incorporated into the construction and long-lead time items, items specifically fabricated for the Project or specialized items (e.g., steel, curtain wall and glass, HVAC, generator, switch gear, light fixtures, and precast concrete), and 100% of the value of materials delivered to Developer and stored at locations other than the Project site ("*Stored Materials*"), provided that Developer furnishes Corporation satisfactory evidence that Developer has acquired title to the Stored Materials, the Stored Materials will be used on the Project, the Stored Materials are properly stored at a secure off-site location reasonably acceptable to Corporation, the Stored Materials at each storage location are segregated from any other materials there that are not intended for use on the Project, and the Stored Materials are covered by insurance against loss, damage, theft or vandalism. Corporation reserves the right to adjust an Application for Payment if a prior Application for Payment is determined to have been overstated or understated.

9.2 Payment Procedures. Corporation and Tenant shall have the opportunity to attend all meetings between Developer and Contractors at which applications for payments are to be discussed (e.g. Developer shall be available and shall require the Construction Manager to be available for a monthly meeting for review of the current month's application for payment, if requested by Corporation). Corporation shall receive with the Project Application for Payment any documentation submitted to Developer

supporting the Construction Manager's application for payment. So long as Corporation and Trustee shall have received the Project Application for Payment, including all required Developer certifications, lien releases, and other required supporting documentation, on or before the tenth day of a calendar month, Corporation shall make any objections regarding such Project Application for Payment in writing as soon as practicable, but in any event no later than five (5) business days after receiving it or the Corporation shall be deemed to have waived its right to object to such Project Application for Payment.

Within ten (10) business days of Corporation receiving an undisputed, properly completed Application for Payment, Corporation will submit a requisition (Exhibit B to the Indenture) to request that Trustee pay to Developer a sum equal to the value of the work completed since the commencement of the work, less all previous payments, plus a like percentage of the value of material delivered on the ground or stored subject to, or under the control of, Corporation, and unused; provided, however, that Trustee shall hold 5% of the value of the construction work under the CMAR Contract (but will not withhold Retention on soft costs, Construction Manager's Fixed Fee, Developer's Fixed Fee, Commodities or deposits for Commodities (e.g., the Financed FF&E), or exceptions to Retention specifically set forth in the CMAR Contract) completed as Retention until the Retention Payment is made pursuant to Section 9.8. Upon request of Developer and at Corporation's sole and absolute discretion, when the Work is 50% complete (by cost), as evidenced by Corporation's approval of Project Applications for Payment showing the Work at least 50% completion, no further Retention may be withheld. If Corporation fails to receive the Project Application for Payment on or before the tenth (10th) day of the month, Corporation shall have a period of five (5) calendar days from its receipt of such Project Application for Payment to review and approve such application, and a period of ten (10) business days to pay amounts as to which there is no objection. If Corporation objects to any portion of a Project Application for Payment, Corporation shall provide detailed written comments explaining the nature of the disapproval as provided in the preceding paragraph, whereupon (i) for Project Costs which are approved by Corporation, Corporation shall request payment from the Trustee and (ii) Developer and Corporation shall meet within two (2) business days to determine mutually acceptable revisions to the Project Application for Payment. If Corporation delays timely progress payment from Trustee through Corporation's breach, negligence or misconduct and not in any way due to a deficient Application for Payment, and as a direct result of that failure Developer is required to pay to its Construction Manager, Consultants, vendors, or Contractors additional amounts equivalent to statutory penalties or late charges (collectively, "late charges"), then Corporation will pay to Developer those late charges in addition to the amount unpaid (and such late charges will result in an adjustment of the Project GMP in an amount equal to the amount of the late charges). Late charges will only be paid upon presentation to Corporation of written evidence that the late charges were in fact owed and paid by Developer. No progress payment by Corporation shall be considered to be Corporation's acceptance of any part of the work.

Failure of Developer and Corporation to determine mutually acceptable revisions to the Project Application for Payment within the two (2) business day period shall entitle either Corporation or Developer to commence the dispute resolution process described in Section 24 hereof or, if necessary, litigation. Failure to reach agreement on an Application

for Payment shall not relieve Developer from its duties and obligations under this Agreement or relieve Corporation from its duties and obligations under this Agreement (including, but not limited to, paying undisputed amounts).

9.3 Requisition to the Trustee. Corporation shall execute and deliver each requisition to the Trustee for the amount of the Project Application for Payment, or such undisputed portion thereof under Section 9.2. Corporation shall undertake good faith efforts to cause Trustee to disburse the amount shown on such requisition to Developer for disbursement to applicable Contractors and others in accordance with the Indenture.

9.4 Initial Draw. The Initial Draw shall include a mutually agreed amount to reimburse Developer for Project Costs actually incurred or paid by those parties (including, without limitation, fees and costs incurred prior to this Agreement for the Construction Manager, Architect and other design professionals) on and before the date of Bond Closing. Corporation may include in the Initial Draw and/or subsequent draws amounts paid by Tenant for the PHASE 2A Services to reimburse Tenant for such costs, all or in part. Developer and Corporation shall agree on the maximum amount of the Initial Draw and shall notify Tenant of that agreed maximum amount by no later than three (3) business days prior to the Sale of the Bonds; in addition, Developer and Corporation shall agree on the exact amount of the Initial Draw and shall notify Tenant of that agreed Initial Draw amount by no later than seven (7) business days prior to the Bond Closing.

9.5 Other Corporation Costs. Notwithstanding anything to the contrary contained in this Agreement, all costs of every nature that constitute Other Corporation Costs shall be the sole responsibility, cost and expense of Corporation. Corporation further agrees that Developer shall have no responsibility or liability for any of the Other Corporation Costs and Corporation shall timely fund all Other Corporation Costs.

9.6 Lump Sum Work and Unit Prices. Corporation shall pay for work shown on the schedule of values as "Lump Sum", "L.S.", or "Job" at the lump sum price shown. Any contract work for which a unit price has been agreed upon, will be paid for at the actual quantities constructed in accordance with the Contract Documents. Upon completion of the work, if the actual quantities show either an increase or decrease from the quantities stated in this Agreement, the unit price stated will apply unless a change to the unit price is warranted under the Section 8.

9.7 Allowances. Payment for any Allowance identified in the Schedule of Values shall be for direct cost reimbursement only, unless the Schedule of Values identifies it as a "Time and Materials" or "T&M" item. Reimbursable direct costs shall be verified by invoices and shall include any amounts paid to third parties, and do not include markups, including but not limited to supervision, labor, overhead, or profit related to the item. Payment for Allowances based on T&M pricing shall be proposed by Developer subject to Corporation's acceptance using the same criteria and proposal breakdown as that specified in the "Time-and-Materials Change Orders" subsection of Section 8. Any work to be performed in connection with any Allowance identified in the Schedule of Values must first be approved in writing by Corporation. Any costs that exceed the maximum amount of any Allowance line item shall be addressed as a change to this Agreement consistent

with Section 8, but in such event there shall be no markup for overhead and profit on the additional actual costs. Upon completion of the Project, each Allowance will be corrected for unused balances and a credit to the Project GMP will be issued by Change Order to reflect the actual sums authorized for work as Allowance items; provided, however, that if a particular Allowance is exceeded by a significant amount (as reasonably determined by Developer in its discretion), then the parties will issue a Change Order for that particular Allowance instead of netting all Allowances later so that Developer is not financing the excess cost. The following terms apply to Allowances:

(a) Include in the Project GMP all Allowances named in the Contract Documents. The amount of each Allowance includes:

- (1) The cost of the Product to Developer, less any applicable trade discounts.
- (2) Delivery to the site including handling, unloading, uncrating and storage.
- (3) Protection from the elements from damage.
- (4) Labor for installation and finishing.
- (5) Other expenses required to complete installation.
- (6) Applicable taxes.
- (7) Overhead and profit.

(b) Developer shall file a "No Collusion Affidavit" with OC Public Works in regards to the actual cost price of Allowance items, and allow any requested examination of his accounts and those of his materials.

(c) Allowances are included in the scope of the Contract Documents.

(d) Payment for Allowances shall be based on direct costs actually incurred by Developer for labor, materials, equipment, or other expenses required to accomplish the allowance. All payments shall be based on Developer's actual expense less any applicable trade discounts as verified by invoice(s), delivery to the site including handling, unloading, uncrating and storage, protection from the elements of damage, labor for installation and finishing, other expenses required to complete installation, applicable taxes, and charge for overhead and profit.

(e) Except as set forth above with respect to Allowances that significantly exceed their value, upon completion of the Project, all of the Allowances will be corrected (netted out to an aggregate add or deduct) by a written change order signed by Corporation and Developer to reflect the actual sums authorized for work as Allowance items.

- (f) A list of Allowances is included in **Exhibit D**.

9.8 Retention Payment. To the extent allowed by applicable law, when the Work is 50% complete (by cost), as evidenced by Corporation's approval of Project Applications for Payment showing the Work at least 50% completion, Corporation will release a portion of the Retention to pay the Retention for the Trade Contractors who have completed their work. In order for Corporation to release Retention as set forth in the preceding sentence, the Work must be on schedule (as evidenced by the most recent approved Project Schedule) and on budget (as evidenced by the most recent Project Application for Payment). Corporation will pay the remaining Retention (less 150% of the cost of outstanding Punch List work) within thirty (30) days of AHJ issuing a Temporary Certificate of Occupancy so that the Construction Manager and Trade Contractors can be paid prior to the expiration of time to record mechanic's liens. If the Retention Payment is made before Developer has complied with all of its obligations under this Agreement, then payment of Retention shall not be interpreted as Final Payment, and shall not relieve Developer of its obligations under the Final Payment provisions.

9.9 Final Payment. The Final Payment (which will include the remaining Retention, if any, less 150% of the cost of outstanding Punch List work) shall be made no later than 30 days after Developer Substantially Completes the work and submits an Application for Final Payment in proper form and suitable for payment. Developer's work will not be complete until Developer has delivered electronic versions of: (i) record drawings for the Project; (ii) all operations and maintenance manuals; (iii) manufacturers', suppliers', and installers' warranties, guarantees, instruction sheets, and parts lists; and (iv) any other documents or information required by the Contract Documents as a condition to completion of the work. Developer's Application for Final Payment shall include:

- (a) Developer's affidavit that payrolls, bills for materials and equipment, and other indebtedness connected with the Project have been paid or otherwise satisfied by Developer; and
- (b) Conditional waivers and releases on Final Payment in the form prescribed by Civil Code Section 8136 from Developer, its Contractors of any tier, and its suppliers who will receive funds from the Final Payment, listing with specificity any and all claims under or arising out of this Agreement or the Project that remain unsettled.

9.10 Stop Payment Notices. If stop payment notices are filed against the Project or state, federal, or other governmental agency claims or liens are filed, then Corporation may withhold the amount required by law from progress payments until such claims and liens have been resolved pursuant to applicable law. However, if the cause of the Stop Payment Notice is due to Corporation's unexcused failure to timely and fully pay Developer in accordance with the terms of this Agreement, then (a) Corporation may not withhold and (b) Developer is entitled to make a claim for direct damages incurred as a result of or arising out of the withholding.

10. Other Services by Developer. Services may be performed by the Developer at the written request of Corporation which are not included as part of the Project. Such services shall be performed pursuant to a separate written agreement between Corporation and Developer.

11. Developer's Fixed Fee and Reimbursable Expenses.

11.1 Developer's Fixed Fee. Developer's fee for the Project (including both Phase 2A under the PM/D Agreement and Phase 2B under this Agreement) is a total of \$8,026,544, subject to adjustment as provided in this Agreement. The Project GMP includes a fee payable to Developer in the amount set forth in **Exhibit D** as the Developer's Fixed Fee (calculated as \$8,026,544 less the amount of Fixed Fee paid to Developer under the PM/D Agreement [\$951,264], so the Phase 2B Developer's Fixed Fee is \$7,075,280) for Phase 2B, which is payable as set forth in Section 11.3. Any Corporation-initiated change orders shall increase the Developer's Fixed Fee in an amount calculated as set forth in Section 8.5 or 8.6, as applicable.

11.2 Reimbursable Expenses. Developer's Reimbursable Expenses will be paid as incurred, without regard to the percentage complete of the Project. With respect to insurance, Corporation shall reimburse Developer, as a Reimbursable Expense, Developer's expense (acknowledged and agreed to be \$8.00 per \$1,000 of contract value) for the Commercial General Liability, Employer's Liability, Auto Liability, and Professional Liability insurance required to be maintained by Developer under this Agreement. All other Reimbursable Expenses will be billed at cost without markup.

11.3 Payment of Developer's Fixed Fee. As part of the monthly Project Application for Payment, Developer shall be entitled to a ratable portion of the Developer's Fixed Fee. The total amount of Developer's Fixed Fee is set forth in **Exhibit D**. Corporation will pay to Developer the Developer Fixed Fee compensation, in the amount identified in **Exhibit D**, as follows:

(a) Equal Monthly Installments: The Developer Fixed Fee for Developer's services under this Agreement will be paid in equal monthly installments (the number of installments equal to the number of months for the Project duration under the Project Schedule); provided, however, that if Developer completes the Project in less time, then the unpaid balance of the Developer Fixed Fee is due with the Final Payment to Developer under this Agreement (i.e., the equal monthly installments are for billing purposes, but the intent is that Corporation will pay the full amount of Developer's Fixed Fee). If the Project takes more time, then Developer is not entitled to additional Developer Fixed Fee compensation (except as expressly provided in Section 8).

(b) Application: Developer will submit to Corporation its request for payment of the Developer Fixed Fee as part of the Project Application for Payment under this Agreement.

12. Completion of the Project.

12.1 Substantial Completion of the Project. Developer shall achieve Substantial Completion of the Project by the Developer Obligation Date. Until Substantial Completion of the Project has occurred, Corporation shall not occupy the Project and shall prohibit Tenant or any other party from occupying the Project; provided, however, that limited use of the Project for storage, move-in or installation of Tenant's Personal Property by either Corporation or Tenant when such use is approved by Developer, such approval not to be unreasonably withheld, shall not be deemed to be occupancy. Notwithstanding that Substantial Completion of the Project shall have occurred, Corporation shall be entitled to provide Developer with a Punch List, in accordance with the provisions of this Section 12.

12.2 Notice of Substantial Completion. When Architect considers that the Work is ready for its intended use, Developer shall require Architect to prepare and deliver to Corporation a tentative certificate of Substantial Completion in the form of **Exhibit N**. The tentative Certificate of Substantial Completion will include by attachment a tentative list of items to be completed or corrected. Developer shall give notice in writing to Corporation that the Project is Substantially Complete (except for Punch List items specifically listed as incomplete) in accordance with the Contract Documents ("**Developer's Notice of Completion**"). Promptly thereafter (but in no event exceeding three (3) business days), Corporation, Developer, Architect, Construction Manager and Tenant shall inspect the Project Work to determine the status of completion. If Corporation does not consider the Work substantially complete or Corporation objects to the Punch List, then Corporation must notify Developer in writing within five (5) business days of the inspection giving all of Corporation's specific reasons that the Project is not Substantially Complete or the Punch List is inaccurate; if Corporation does not provide written notice within such time, then the Corporation will be deemed to have no objection. Once Developer addresses all of Corporation's reasonable objections, Architect will then issue a definitive Certificate of Substantial Completion (with the potential of a revised Punch List) agreed to by the Architect, Developer, and Corporation. The Certificate of Substantial Completion will include by attachment the (revised) Punch List. The completion of the Punch List, installation of Corporation's IT, and completion of any other Corporation work (e.g., Corporation installation of Tenant's Personal Property) shall not be required in order for the Project to be Substantially Complete.

12.3 Completion of Punch List Items. Following Substantial Completion, Developer shall diligently cause all Punch List items to be completed promptly in accordance with the Contract Documents. Developer shall coordinate the performance of any such Punch List work to avoid any unreasonable hindrance to Tenant's installation of Tenant's Personal Property and its full occupancy of the Project.

12.4 Final Acceptance. Upon Final Acceptance, Developer shall be entitled to payment of the balance of Developer's Fixed Fee and all other Project Costs incurred in connection with the work, but not to exceed the Project GMP, which will be invoiced pursuant to Section 9, above. "Final Acceptance" means that each of the following items shall have occurred with respect to the Project:

(a) **AHJ Approval:** AHJ has issued a temporary or final certificate of occupancy or other approval (e.g., final building inspection by building officials) for the Project permitting Tenant to occupy and use the Project for its Permitted Use; provided, however, if the delay in the issuance of the certificate of occupancy or other approval is attributable solely to the Corporation's or Tenant's work including, without limitation, Tenant's Personal Property, or an obligation of Corporation or Tenant, then this condition shall be deemed satisfied;

(b) **Conditional Waivers:** Developer and each Contractor shall have provided its final conditional waivers and releases of lien in the statutory form.

(c) **Punch List Complete:** All Punch List items shall have been completed, but if Corporation consents to Final Acceptance without completion of all Punch Lists items, the parties shall have agreed upon the estimated costs of any Punch List items remaining to be completed and 150% of such estimated cost shall be withheld by the Trustee in the Project Costs Account until the Punch List items have been completed to the reasonable satisfaction of Corporation. When the Punch List items have been completed, Developer shall notify Corporation and, upon Corporation's reasonable satisfaction that the Punch List items have been completed, Corporation shall deliver its requisition to the Trustee for payment of the funds withheld by the Trustee under this Section 12.4(c);

(d) **Final Pay App:** Developer shall have submitted its final Project Application for Payment together with evidence reasonably satisfactory to Corporation that all construction costs have been paid in full or will be paid in full with payment of the final Application for Payment;

(e) **Project Costs Report:** Developer shall have delivered to Corporation a written report showing the allocation of Project Costs among the categories of **Exhibit D** and the remaining specified dollar amount of the Developer Contingency and the undisbursed portion of the Developer's Fixed Fee;

(f) **Title Policy Endorsement:** Corporation and Trustee shall each have received an endorsement to its respective Title Policy dated as of and issued on the date of Final Acceptance, which shall insure Corporation and Trustee respectively (1) against any liens for labor or materials, whether or not of record, which may have arisen in connection with the construction of the Project, and (2) show no additional exceptions to the Corporation's Title Policy other than those approved by or arising through Corporation;

(g) **LEED Application:** Developer shall have submitted the initial applications, supporting documents, and other materials needed to obtain Silver LEED certification; and

(h) **Final Acceptance Obligations:** Developer shall have completed and delivered the matters set forth in Section 14.

12.5 Approval of Final Project Application for Payment. Upon delivery of Developer's final Project Application for Payment and other materials set forth above, Corporation shall, acting reasonably and in good faith, review and approve the final Project Application for Payment on or before that period expiring five (5) business days after receipt of the final Project Application for Payment, receipt of notice from Developer that the Punch List matters are complete (except those items permitted to remain outstanding pursuant to Section 12.4(c)), and Corporation's receipt of the materials set forth in Section 14 of this Agreement. In the event no written comments from Corporation are received by Developer within said five (5) business day period, Corporation shall be deemed to have waived its right to comment on the Final Application for Payment or to disapprove the completion of the Punch List, except those items permitted to remain outstanding pursuant to Section 12.4(c). If Corporation disapproves the final Project Application for Payment or completion of the Punch List, or any portion thereof, Corporation shall provide detailed written comments explaining the nature and specific reason for each disapproval; whereupon, Developer and Corporation shall meet within two (2) business days to determine mutually acceptable revisions to the final Project Application for Payment and the completion of the Punch List. Failure of Developer and Corporation to determine mutually acceptable revisions to final Project Application for Payment and the completion of the Punch List within the two (2) business day period, shall entitle either Corporation or Developer to commence the disputes resolution process described in Section 24.

12.6 Requisition of Final Payment. Corporation shall execute and deliver the requisition for Final Payment to the Trustee within one (1) business day following expiration of said five (5) business day period, or if Corporation disapproves of the final Project Application for Payment, then within one (1) business day after the date of approval of the mutually acceptable revisions to the final Project Application for Payment or the determination of the disputes resolution process, if applicable. Subject to the provisions for disbursement of unused contingency funds in Section 12.7 below, Corporation shall take all steps to cause the Trustee to disburse the remaining money in the Project Costs Account, except for (1) any money withheld for completion of the Punch List items under Section 12.4(c), and (2) the \$50,000 reserved for warranty work as provided for in Section 7.9, but in any event not more than the Project GMP, in the amount shown on such requisition. In addition, Corporation shall in such requisition direct payment of the remaining Developer's Fixed Fee in accordance with the provisions of Section 11.3.

12.7 Disbursement of Developer Contingency. Subject to allocation of the Developer Contingency by Developer to pay for Project Costs pursuant to Section 7.7, if all or some portion of the Developer Contingency is not used for Project Costs, then 50% of the unused Developer Contingency shall be paid to Developer.

12.8 Notice of Completion. Developer may record a Notice of Completion in accordance with Requirements of Law upon completion of the Project. If, after receipt of written notice that Developer intends to record or has recorded a Notice of Completion, Corporation determines that the Project is not in compliance with this Agreement, then Corporation must, within five (5) business days of Developer's written request, provide to Developer a written statement setting forth all of the reasons for Corporation's determination that a Notice of Completion is premature. The statement must also specify

the action(s) that Corporation believes that Developer must take to properly record a Notice of Completion. After addressing the issues set forth in Corporation's written notice, Developer will again notify Corporation of Developer's intent to record a Notice of Completion and the parties hereto will continue to repeat the inspection and notice procedures until Corporation agrees that the Notice of Completion may properly be recorded. Notwithstanding the foregoing, the parties agree that the Requirements of Law, and not Corporation's or Developer's particular belief, will determine the validity of any recorded Notice of Completion.

12.9 Partial Occupancy. Corporation reserves the right to enter and install equipment within each portion of the Project as it is ready to receive same, upon the condition that (a) Developer shall not be responsible for equipment so placed other than loss or damage caused by the acts or omissions of Developer or those in Developer's employ, and (b) Corporation does not interfere with Developer's performance of work or damage any work in place. Corporation may, only with Developer's consent (which Developer may withhold in its sole and absolute discretion), take possession of or use all or part of any work prior to completion and final acceptance of all the work upon condition that (a) Corporation's possession or use does not interfere with Developer's performance of work, and (b) such possession or use is allowed by the applicable insurance policy(ies). If Developer allows partial occupancy, then Developer shall be relieved of liability for loss or damage to completed portions of the work other than loss or damage caused by the acts, omissions, or breaches of warranty by Developer. Such taking of possession by Corporation shall not relieve Developer from any other provisions of the Contract Documents, shall not constitute a final acceptance of any such work or of work not completed in accordance with the Contract Documents, and shall not relieve Developer from responsibility for correcting defective workmanship or materials in the area so occupied. Corporation may, only with Developer's consent (which Developer may withhold in its sole and absolute discretion), during the performance of the work enter the work area for the purpose of performing any necessary work by Corporation's labor or Separate Contractors, but only for the purpose of the installation of Tenant's Personal Property. In doing so, Corporation shall not interfere with Developer, and Developer shall not interfere with other work being done by or on behalf of Corporation. If Corporation's acts or omissions cause damage or delay to Developer or the Project, then Developer shall be entitled to a claim for additional cost and/or time in accordance with Section 8.

13. Miscellaneous Developer Obligations. In addition to Developer's obligations listed elsewhere in this Agreement, Developer agrees to:

- (a) Except as specifically noted, provide and pay for (as a Project Cost):
 - (1) Labor, materials, and equipment.
 - (2) Tools, construction equipment, and machinery.
 - (3) Water, heat, and utilities required for construction including any metering and connection fees or charges, except Corporation or Tenant will provide and pay for electric power and pay for water acreage assessment charges. If any

utilities are in place and in use by the Corporation or Tenant at the site, Developer, to the extent available, at no cost may utilize such utilities (excluding telephone).

(4) Other facilities and services necessary for proper execution and completion of work to provide a facility capable of operation.

(5) Legally required sales, consumer, and use taxes.

(b) Secure and pay (as Allowances) for: Permits, government fees, and licenses. Developer must pay the permit fees (as an Allowance) and fulfill the conditions of the permit from the Orange County Planning & Development Services Department.

(c) Give required notices.

(d) Comply with latest adopted edition of California Building Code and other codes, ordinances, rules, regulations, orders, and legal requirements of public authorities which bear on performance of work.

(e) Enforce strict discipline and good order among employees. Do not employ on work:

(1) Unfit persons.

(2) Persons not skilled in assigned task.

14. Developer's Final Acceptance Obligations. On or before Final Acceptance of the Project, Developer shall obtain and electronically submit to Corporation, the following:

14.1 As-Built Plans. A complete set of final as-built plans and specifications prepared by the Construction Manager for the Project. Tenant Improvements will be provided in pdf and CAD.

14.2 Manuals. All technical and service, instruction and procedure manuals relating to the operation and maintenance of all HVAC systems and other mechanical devices and equipment installed in the Project, except insofar as relating to Tenant's Personal Property.

14.3 Warranties. An assignment (on a non-exclusive basis) and delivery of all warranties, guarantees, maintenance contracts, and machinery and equipment warranties received by Developer from the Construction Manager or any Trade Contractor, or any supplier, materialmen or manufacturer relating to the Project; provided, however, that so long as Developer's warranty set forth in Section 13 herein remains in effect, Developer reserves the right, notwithstanding the assignment and delivery of such warranties hereunder to Corporation, to fully enforce all such warranties in the place and stead of Corporation.

14.4 Permits and Licenses. The originals (if not posted at the Project) of all Permits, licenses and other approvals necessary for the occupation, use and operation of the Project.

14.5 As-Built Survey. An as-built Survey of the Land showing the location of all improvements constructed thereon.

15. Indemnification.

15.1 Developer's Indemnification. To the maximum extent allowable by law, Developer shall indemnify and defend with counsel reasonably approved in writing by each of the respective Indemnitees (as defined below) and save harmless the Corporation, Trustee, Tenant, and their respective elected and appointed officials, officers, employees, agents, and those special districts and agencies for which Tenant's Board of Supervisors acts as the governing Board ("**Indemnitees**") from any loss, injury, liability, claims, demands, costs and expenses whether incurred by or made against Indemnitees of any kind or nature, including but not limited to personal injury or property damage (hereinafter "claims"), to the extent arising from or related to the negligent acts, omissions or defective services, products or other performance provided by Developer pursuant to this Agreement or any breach or default by Developer of its obligations under this Agreement. This indemnity applies even in the event of Indemnitees' concurrent fault, except that nothing in this indemnification provision shall be construed to require Developer to indemnify Indemnitees for losses caused by Indemnitees' active negligence, sole negligence, willful misconduct, or defects in design furnished by Indemnitees. If judgment is entered against Developer and Corporation by a court of competent jurisdiction because of the concurrent active negligence of Corporation or Indemnitees, Developer and Corporation agree that liability will be apportioned as determined by the court. Neither Party shall request a jury apportionment. Furthermore, Corporation and Developer hereby mutually release each other from liability and waive all rights of recovery against each other for any loss from perils insured against under the builders risk insurance policy to be carried by Developer or its Construction Manager pursuant to **Exhibit G**. Developer is not, and shall not act as, a design professional hereunder. However, Developer shall facilitate the negotiation of the contract(s) between Developer and any design professional retained in connection with the Project to contain a clause whereby the design professional shall indemnify, defend and hold harmless Indemnitees from and against any and all claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of such design professional for the performance of professional services pertaining to the Project. For purposes of the preceding sentence, "design professional" means the Architect and the engineers of record who are engaged by Developer or Architect to design the Project and create the Construction Documents.

15.2 Corporation's Indemnification. To the maximum extent allowable by law, Corporation agrees to indemnify, defend with counsel reasonably approved in writing by each of the respective Project Indemnitees (as defined below), and hold Developer and Trustee, and their respective officers, directors, employees, and agents ("**Project Indemnitees**") harmless from any loss, injury, liability claims, demands, costs and expenses whether incurred by or made against Project Indemnitees of any kind or nature,

including but not limited to personal injury or property damage, to the extent arising from or related to the negligent acts or omissions of Corporation or Tenant or any breach or default by Corporation of its obligations under this Agreement. This indemnity applies even in the event of Project Indemnitees' concurrent fault, except that nothing in this indemnification provision shall be construed to require Corporation to indemnify Project Indemnitees for losses caused by Project Indemnitees' active negligence, sole negligence, willful misconduct, or defects in design furnished by them.

16. Insurance Requirements.

16.1 Developer's Insurance. Developer shall procure and maintain, at a minimum, for the duration of this Agreement the insurance as set forth in **Exhibit G**. The cost of such insurance shall be a Project Cost.

16.2 Corporation's Insurance. Corporation or Tenant shall procure and maintain upon the delivery of the Certificate of Substantial Completion the insurance as set forth in Section 6.03 of the Facility Lease.

16.3 Verification of Coverage. Each party shall furnish the other with certificates of insurance and endorsements required by this Agreement. The certificates and endorsements for each policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements are to be on forms reasonably approved by the other party and are to be received and approved by such other party prior to the commencement of activities associated with this Agreement.

16.4 Builders Risk Insurance. If directed by Corporation in writing, Developer shall procure and maintain, or will direct its Construction Manager to procure and maintain, for the duration of this Agreement, the builder's risk insurance as set forth in **Exhibit G**. The cost of such builder's risk insurance shall be a Project Cost.

16.5 Notice of Cancellation. Developer and Corporation, respectively, shall take steps to provide notification to Corporation, Authority, or Trustee in the event of policy cancellation or material modification that is adverse to the interests of Corporation, Authority, or Trustee. Such notice shall be sent by Developer and Corporation in writing at least 30 days in advance of such intended cancellation or modification.

17. Representatives.

17.1 Developer Representatives. Corporation agrees that the person with overall responsibility for the work for the Project for the Developer shall be Roger Torriero ("**Developer's Representative**"). The "**Developer's Project Manager**" shall be Deryl Robinson. Developer may also appoint an additional representative by giving written notice to Corporation of the onsite representative. Corporation shall have the right to approve any changes in the personnel named above, such approval not to be unreasonably withheld. Corporation may rely on such representatives as having the authority to execute Change Orders in any amount unless Developer identifies to Corporation in writing the officer(s) or employee(s) with such authority. Any written order or communication given to this representative shall be deemed delivered to Developer. In the absence of

Developer's Representative in case of emergency, instructions or directions may be given by Corporation to the Construction Manager's project manager or superintendent. Such order shall be complied with promptly and referred to Developer or its representative. Developer's Representative must be able to read, write, and speak English fluently. Developer's Project Manager, if different than Developer's Representative, shall represent Developer in the absence of Developer's Representative, and all directions given to the Project Manager shall be binding as if given to Developer. Developer's onsite representative, if different than the Project Manager, shall represent Developer in the absence of Developer's Representative and Project Manager, and all directions given to the Developer's onsite representative shall be binding as if given to Developer. Corporation may require Developer to replace the Project Manager or onsite representative whose conduct or performance is unsatisfactory. Developer shall not change its Project Manager or onsite representative without Corporation's consent unless the Project Manager or onsite representative is unsatisfactory to Developer or ceases to be in Developer's employ. If Developer's Project Manager or onsite representative leaves the Project, Developer shall replace him or her within two business days (unless additional time is agreed upon by Corporation) with a new, qualified project manager or onsite representative.

17.2 Corporation's Representative. Corporation designates the OC Public Works Director (Shane Silsby or his successor) as "**Corporation's Representative**," authorized to act on the Corporation's behalf with respect to the Project, and the decisions of Corporation's Representative will be binding on Corporation. The "**Corporation's Project Manager**" shall be Scott Dessort, who is authorized to act on the Corporation's behalf with respect to the Project (including but not limited to approving Applications for Payment), and the decisions of Corporation's Project Manager will be binding on Corporation. Corporation may also appoint an additional representative by giving written notice to Developer of the onsite representative. Corporation's Representative and/or Project Manager shall promptly render decisions to avoid delay in the orderly process of design and construction of the Project. Corporation may communicate with the Contractors and the Architect only through Developer's Representative or Project Manager. Corporation's Representative and Project Manager may be changed by Corporation from time to time by written notice to Developer. Unless otherwise expressly stated in the Contract Documents, Corporation's Representative and/or Project Manager will issue and receive all written communications on behalf of Corporation for the Project. Developer may rely on Corporation's Representative and Project Manager as having the authority to execute Change Orders in any amount unless Corporation identifies to Developer in writing the person(s) with such authority. Any written order or communication given to Corporation's Representative or Corporation's Project Manager shall be deemed delivered to Corporation. Disbursement of bond proceeds for project payments require the additional approval of the County Public Finance Director or Chief financial Officer, acting on behalf of the Corporation. Developer reserves the right to appeal any decisions rendered by the Director to the Corporation Board for final determination.

17.3 Construction Manager's Representative. Developer shall require its Construction Manager to provide the services of the superintendent(s). A superintendent shall be present at the work site whenever work is in progress including whenever weather conditions necessitate its presence to take measures necessary to protect the work, persons,

or property. In case of emergency, Construction Manager's superintendent shall represent Developer in the absence of Developer's designated representative or Project Manager, and all written directions given to the superintendent(s) shall be binding as if given to Developer. The superintendent must read, write, and speak English fluently. Corporation may require Developer to require its Construction Manager to replace a superintendent whose conduct or performance is unsatisfactory. Construction Manager shall not change its superintendent without Corporation's consent unless the superintendent is unsatisfactory to Construction Manager or ceases to be in Construction Manager's employ. If Construction Manager's superintendent leaves the Project, Construction Manager shall replace him or her within two business days (unless additional time is agreed upon by Corporation) with a new, well-qualified superintendent acceptable to Corporation.

17.4 Emergency Contacts. Developer shall provide Corporation with a list of names and telephone numbers at which Developer's representative, superintendent, and other key personnel can be reached during non-working hours in the case of an emergency.

17.5 Communications. All Corporation communications to Developer, Construction Manager, Architect, or any of the Contractors or their employees must be issued solely by the Corporation's Representative or Corporation's Project Manager and delivered exclusively to Developer. All communications from Developer, Construction Manager, or any of Developer's consultants or their employees to Corporation must be issued solely by Developer's Representative or Developer's Project Manager and delivered exclusively to the Corporation's Representative or Corporation's Project Manager.

17.6 Timely Decisions. Corporation will, in a timely manner consistent with the Project Schedule, provide full information regarding its requirements for the Project. The Corporation's Representative or Project Manager will render in a timely manner consistent with the Project Schedule all decisions requested by Developer's Representative or Project Manager which may be necessary to perform the Project in accordance with the Project Schedule. Corporation or Corporation's Representative's or Project Manager's failure to timely provide required information will result in a Corporation-Caused Delay.

18. Accounting, Inspection and Audit.

18.1 Accounts. Developer shall keep and will also require its Construction Manager to keep such full and detailed accounts as may be necessary for proper financial management under this Agreement. Developer's accounting and control system shall be in accordance with generally accepted accounting practices of the construction industry. Developer shall preserve all of its books and records relating to this Agreement, including but not limited to its job cost records, payables/receivables records, accounting books, bids, cancelled checks, receipts, subcontracts, purchase orders, journals, vouchers, payrolls, correspondence, drawings, daily logs, photographs, and memoranda, for a period of four (4) years after Final Payment. Should Developer cease to exist as a legal entity, Developer shall forward its records pertaining to this Agreement to the surviving entity in a merger or acquisition, or, in the event of liquidation, to Corporation.

18.2 Inspection and Audit. Corporation (including by request of Tenant), and their contracted representatives, shall have the right to examine and audit Developer's accounting procedures and internal controls of Developer's financial systems and to inspect and copy any books and records relating to this Agreement. Such an examination, audit, and/or inspection may be requested at any time during the Project, or four (4) years after Final Payment. If Corporation so elects to conduct such an audit, it shall give notice to Developer, and such audit shall be conducted as soon as is reasonably feasible thereafter, but progress payments to Developer shall not be delayed pending the outcome of the audit. Such audit shall be conducted by an auditor selected by Corporation, and Corporation shall, except as hereinafter provided, pay the cost of such audit. Developer shall cooperate fully with Corporation in the conduct of such examinations, audits, and inspections, shall grant full access at all reasonable times to its offices, the Project site, and its books and records relating to this Agreement, and shall allow Corporation to interview Developer's employees who might reasonably have information related to Developer's books and records, provided that Corporation has given Developer at least one working day's advance notice of Corporation's intent to examine, audit, inspect, and interview employees. All examinations, audits, inspections, and interviews shall be conducted during normal business hours. Developer shall include in all its subcontracts a provision giving Corporation the same rights to examine and audit the Construction Manager's accounting procedures and internal controls of its financial systems, inspect the Construction Manager's books and records relating to the Project, and interview Construction Manager's employees as Developer has given the Corporation in this Section.

19. Construction Liens. Upon Final Acceptance of the Project and upon Corporation's request during the progress of the Project, Developer shall submit evidence that all payrolls, material bills and other indebtedness relating to the work have been paid (subject to Corporation's timely funding the Project Costs and all other costs that are the responsibility of Corporation). If at any time there shall be appropriate evidence of any lien or claim (including stop payment notices) for which, if established, Corporation shall be liable, or which would constitute a lien on the Project or Bond proceeds, and which is chargeable to and the responsibility of Developer, then provided that Corporation has timely funded the Project Costs and all other costs that are the responsibility of Corporation under this Agreement, upon written request by Corporation, Developer or Contractor shall furnish a bond or other assurance in form and amount satisfactory to remove such lien or stop payment notice from the public records. If any potential lien or stop payment notice claimant gives notice to Trustee in accordance with the provisions of applicable law that it has filed a mechanics' lien or stop payment notice against the Project and such lien or stop payment notice is the responsibility of Developer in accordance with the previous provisions of this Section 19, there shall be no further disbursement of Bond proceeds until Developer shall have provided Trustee and Corporation with a bond or other security in accordance with applicable law, to the amount claimed under the lien or notice until resolution of such dispute and payment of such lien or stop payment notice, agreement with such potential lien claimant that such notice is withdrawn, or a court declaration that such notice is void in accordance with the provisions of applicable law. Developer shall notify Corporation and Trustee upon Developer's knowledge of the filing of any lien or the service of any stop payment notice in connection with the Project.

20. Priority Agreements. To the extent permissible under California law, Developer shall require its Construction Manager to subordinate its lien rights, by agreement in form and substance satisfactory to Corporation, to the Ground Lease, Facility Lease, and the Indenture securing the Bonds in favor of Trustee and its respective successors or assigns, and shall use its best efforts to obtain a similar subordination from all Trade Contractors under this Agreement. Any Trade Contractor which refuses to so subordinate its lien rights must be specifically approved in writing by Corporation.

21. Damage and Destruction; Condemnation.

21.1 Damage and Destruction. After the happening of any casualty to the Project, Developer shall give Corporation and Trustee prompt written notice thereof generally describing the nature and cause of such casualty and the extent of the damage or destruction to the Project. Developer and Corporation acknowledge, agree and assign all insurance proceeds which Developer or Corporation may be entitled to receive prior to Final Acceptance of the Project with respect to damage or destruction to the Project to Trustee for deposit into the Insurance and Condemnation Proceeds Fund established under the Indenture, and each insurance carrier shall be and is hereby irrevocably instructed in accordance herewith. Such insurance proceeds shall be applied in accordance with Section 7.1 of the Facility Lease which provides that Tenant and Corporation will cause the net proceeds of any insurance claim to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, or defective portion of the Project or otherwise used to pay Project Costs, including increases in the Project Costs or, at their discretion solely in accordance with the Facility Lease, Tenant and Corporation may elect not to repair, reconstruct or replace the damaged, destroyed, or defective portion of the Project and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of Section 4.01 of the Indenture. If, prior to the Substantial Completion of the Project, Tenant and Corporation direct that such proceeds be applied to the repair, restoration, modification, improvement or replacement of the damaged, destroyed, or defective portion of the Project, Developer shall proceed diligently to reconstruct and restore the Project in accordance with the Contract Documents and the provisions of this Agreement, and Corporation shall direct that such proceeds deposited in the Insurance and Condemnation Proceeds Fund established under the Indenture, shall be disbursed to Developer in accordance with the provisions of Section 9 herein and the Indenture for payment of progress payments, for payment of the costs to repair and restore the Project in accordance with the Indenture. All costs of such repair or restoration of the Project exceeding the amount of the insurance proceeds shall be paid in accordance with the Facility Lease, and Developer shall not be responsible for any such costs.

21.2 Condemnation. In the event of a partial condemnation of the Project to the extent that the Project may still be constructed in accordance with the Contract Documents, or may be constructed in accordance with the Contract Documents as modified by changes acceptable to Corporation and Developer, Developer shall proceed diligently to construct the Project in accordance with the Contract Documents, as modified, if applicable. Any such partial condemnation proceeds shall be deposited in the Insurance and Condemnation Proceeds Fund established under the Indenture and applied in accordance with Section 7.1

of the Facility Lease and, as applicable, disbursed in accordance with the provisions of Section 9 above. In the event of a condemnation of all of the Project or so much thereof that the Project may no longer be constructed in accordance with the Contract Documents, this Agreement shall terminate, Developer shall be paid for all costs incurred as of the date of such condemnation (including costs that Developer is obligated to pay third parties as of that date, together with a prorata portion of the Developer's Overhead and the Developer's Fixed Fee), and the parties shall have no further obligations hereunder. In such event, after Developer has been paid in accordance with the foregoing sentence, all condemnation proceeds shall be applied by the Trustee pursuant to the Indenture.

22. Payment of Taxes/Assessments.

22.1 Real Property Taxes. Any and all real property taxes and assessments (including leasehold excise tax) levied against the Land and the Project or any portion thereof shall be paid by Corporation. Notwithstanding anything to the contrary contained in this Agreement, Developer shall have no liability whatsoever for any real property taxes or assessments (including any leasehold excise tax).

22.2 Other State and Local Taxes. Except as otherwise provided in Section 22.1, Developer shall pay any and all state and local taxes assessed in connection with the Project, including, but not limited to, state and local retail sales taxes as part of the Project GMP. Developer shall complete all necessary tax returns relating to such taxes and file the same with the applicable state or local governmental agency and remit, on or before the date such tax payment is due, payment of such state and local taxes to the proper taxing authority.

23. Default and Termination.

23.1 Developer Default. The following events shall constitute an "Event of Default" by Developer if the same shall continue uncured after expiration of the applicable notice and cure periods set forth herein, if any:

- (a) **Material Default:** If Developer shall fail to perform any material obligation under this Agreement;
- (b) **Persistent Failure:** If Developer persistently or repeatedly refuses or fails to cause to be supplied to the Project enough properly skilled workers or proper materials to complete the Project, including Tenant Improvements, or if Developer ceases work on the Project for a period of fourteen (14) consecutive days (subject to Unavoidable Delays);
- (c) **Misappropriation:** If Developer misappropriates any funds received by Developer pursuant to the provisions of this Agreement;
- (d) **Disregarding Laws:** If Developer persistently disregards and fails to comply with laws, ordinances or rules, regulations or orders of a public authority having jurisdiction over the Project;

(e) **Failure to Pay:** Developer fails to make any payments required for the Project to the Construction Manager, Architect or otherwise and such failure is a breach of the CMAR Contract or Architect's Agreement or other applicable contract;

(f) **Permit Revoked:** If, due to the wrongful actions of Developer, any Permit required for construction of the Project shall be revoked or canceled;

(g) **Liens:** If there shall occur any lien or other encumbrance on the Land or the Project caused by Developer which is not bonded and removed in accordance with Section 19 above; provided, however, that if the lien or other encumbrance results from Corporation failing to pay the Project Costs or other costs that are the responsibility of Corporation under this Agreement, as and when due, then Developer is not required to bond or remove such lien or encumbrance;

(h) **Defective Work:** If there shall have occurred defective workmanship or materials within the Project which is not cured within the time period provided in Section 7.11 of this Agreement;

(i) **Assignment:** If Developer shall have assigned, pledged or encumbered its rights, duties or obligations under this Agreement in violation of Section 25.6 of this Agreement; or

(j) **Bankruptcy:** If Developer files a petition for bankruptcy or if it makes a general assignment for the benefit of Developer's creditors, or if a receiver is appointed on account of Developer's insolvency and any such petition or appointment is not dismissed within sixty (60) days.

23.2 Corporation Remedies upon Developer Event of Default. Upon any Event of Default by Developer, Corporation shall give Developer written notice of the same, whereupon following receipt of such written notice Developer shall have thirty (30) calendar days within which to commence all necessary action to cure any such Event of Default, (and if such cure is commenced, proceed to diligently complete such cure within a reasonable period of time), except with respect to Events of Default set forth in Section 23.1(c) and (h) for which the cure period shall be ten (10) business days, or Section 23.1(i) for which no cure period exists beyond the time period stated therein; provided however, that such cure period shall not apply to failure of Developer to achieve Substantial Completion of the Project on or before the Developer Obligation Date for the Project. If Developer fails to cure such Event of Default within the time period set forth above, Corporation shall be entitled to the following remedies:

(a) **Completion of the Project:** To take over and complete the Project, Corporation is hereby irrevocably appointed attorney-in-fact (the appointment being coupled with an interest) to enforce contracts or agreements theretofore made by Developer and to do any and all things that are necessary and proper to complete the Project and be entitled to use the undisbursed Project Fund proceeds to pay Project Costs;

(b) **Specific Performance:** In addition to a claim for damages for such breach or default, and in addition to and without prejudice to any other right or remedy available under this Agreement or at law or in equity, to commence an action for specific performance of this Agreement;

(c) **Withhold:** To withhold approval of further disbursement of Bond proceeds;

(d) **Damages:** To bring an action for damages; or

(e) **Termination:** To terminate this Agreement without liability upon ten (10) days written notice. Upon receipt of written notice from Corporation of a termination for cause, Developer shall cease operations as directed by Corporation in the notice and take all actions necessary, or as Corporation directs, for the protection and preservation of the work.

23.3 Corporation Default. The following shall constitute an "Event of Default" by Corporation if the same shall continue uncured after expiration of the applicable notice and cure periods set forth herein, if any:

(a) **Failure to Pay:** Corporation fails to cause Trustee to make disbursements to Developer of any sum of money owed to Developer pursuant to this Agreement as and when due, including without limitation, all monies due and owing from the Project Costs Account unless Developer shall have committed an Event of Default as set forth in Section 23.1 above.

(b) **Assignment:** Corporation shall have assigned, pledged or encumbered its rights, duties or obligations under this Agreement in violation of Section 25.6; or

(c) **Material Default:** Corporation shall have failed to perform any other material obligation under this Agreement.

23.4 Developer Remedies Upon Corporation Event of Default. Upon any Event of Default by Corporation, Developer shall give Corporation written notice of the same. Upon receipt of such written notice Corporation shall have thirty (30) calendar days to cure any such Event of Default, except with respect to Events of Default set forth in Section 23.3(a) for which the cure period shall be five (5) business days. In the event Corporation fails to cure such Event of Default within said period, Developer shall be entitled to stop all work relating to the Project, if Developer so desires and shall further be entitled to pursue its rights and remedies at law and in equity under this Agreement, including without limitation, specific performance of Corporation's obligations hereunder.

23.5 Remedies Not Exclusive. No remedy conferred upon either party in this Agreement is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

23.6 Termination for Convenience of Corporation. Notwithstanding any other provision of this Agreement, Corporation may at any time and without cause terminate this Agreement, in whole or in part, upon not less than 90 days written notice to the Developer. Such termination shall be effected by delivery of a Notice of Termination to Developer specifying the effective date of the termination, whether this Agreement shall be terminated in whole or in part, and, if applicable, the portion of work to be terminated. Developer shall immediately stop work in accordance with the Notice of Termination and comply with any other direction as may be specified in the Notice of Termination or as provided subsequently by Corporation. Corporation shall pay Developer for the work completed and accepted by Corporation prior to the effective date of the termination, unpaid but earned portions of fees to Developer, Construction Manager, Consultants, Architect, and Contractors, plus any actual termination costs incurred (such as demobilization costs, costs to protect the work in place, early termination fees for the trailer, equipment, etc.) and such payment shall be Developer's sole remedy. Under no circumstances will Developer be entitled to anticipatory or unearned profits, consequential damages, or other damages of any sort as a result of a termination in whole or in part under this provision. Developer shall require its Construction Manager to insert in all Construction Contracts with Trade Contractors that (a) the Trade Contractors shall stop work on the date of, and, if applicable, the portion of work to be terminated in a Notice of Termination, (b) under no circumstances will Trade Contractors be entitled to anticipatory or unearned profits, consequential damages, or other damages of any sort as a result of a termination in whole or in part under this provision (but will be entitled to work performed through the date of termination and reasonable demobilization costs), and (c) shall require Trade Contractors to insert the same condition in any lower tier subcontracts.

23.7 Equitable Adjustment for Extended Delay. If, through no fault of Developer (e.g., Unavoidable Delays or Corporation-Caused Delays), construction of the work is stopped for (a) ninety (90) or more consecutive calendar days or, (b) in the aggregate, one hundred twenty (120) or more calendar days, then Developer may request that this Agreement be terminated (which the Corporation can approve in its sole discretion). If this Agreement is not terminated by mutual agreement, Developer will be entitled to an equitable adjustment to the Project GMP and/or Developer Obligation Date. The foregoing right to an equitable adjustment does not alter Developer's right to make a claim for increases to the Project GMP and/or extensions of the Developer Obligation Date under Section 8 for delays less than the foregoing time frames, but rather is intended to clarify that an extended delay as provided in the preceding sentence may have significant impacts on time and cost that require an equitable adjustment even if Developer was not otherwise entitled thereto (e.g., for Unavoidable Delays, where Developer typically only receives time but not money). If the Corporation and Developer cannot agree on the equitable adjustment, then the dispute will be resolved pursuant to the dispute resolution procedures set forth in Section 24.

24. Disputes. Corporation and Developer agree to follow the independent resolution process set forth in this Section 24 to resolve disputes regarding preparation of the Construction Drawings and Detailed Specifications and changes to Construction Documents in an economic and time efficient manner so that such documents conform to the requirements of this Agreement, the Project Schedule is not adversely impacted, and the Project as constructed will satisfy the

Project Requirements. If a dispute arises between Corporation and Developer during the design or construction of the Project regarding the adequacy of any Drawings or Specifications or the responsibility for any costs associated with any design development, addition or change (e.g., whether any design development is consistent with the Project Requirements), the parties shall attempt to resolve such dispute as expeditiously as possible and shall cooperate so that the progress of the design and construction of the Project is not delayed. If, however, the parties are unable to resolve the dispute within three (3) business days, either party may, by delivering written notice to the other and the Trustee, refer the matter to a dispute resolution mediator as set forth on the attached **Exhibit H**. If either party to this Agreement brings an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action or dispute shall be entitled to recover its reasonable attorneys' fees from the non-prevailing party. Pending resolution of the claim or dispute, Developer shall continue the work diligently to completion as directed by Corporation. If the claim or dispute is not resolved, Developer agrees that it will neither rescind this Agreement nor stop the progress of the work provided that Corporation continues to pay undisputed amounts.

25. Miscellaneous.

25.1 Waiver; Modification. No failure on the part of Corporation or Developer to exercise any right or remedy under the Contract Documents shall operate as a waiver of any other right or remedy that Corporation or Developer may have. A waiver by Corporation or Developer of any breach or failure to perform under the Contract Documents shall not constitute a waiver of any subsequent breach or failure. The failure of Corporation or Developer to enforce a requirement of the Contract Documents in one or more instances shall not preclude Corporation or Developer from subsequently enforcing such requirement(s). No oral statement shall in any manner modify this Agreement. All changes to this Agreement must be in writing approved by both the Corporation and Developer.

25.2 Neutral Authorship. In connection with the execution and delivery hereof, each party has been represented by counsel. Each of the provisions of this Agreement has been reviewed and negotiated, and represents the combined work product of both parties hereto. No presumption or other rules of construction which would interpret the provisions of this Agreement in favor of or against the party preparing the same shall be applicable in connection with the construction or interpretation of any of the provisions of this Agreement.

25.3 Severability. If any portion or portions of this Agreement is declared void or unenforceable, it shall not affect the other provisions of this Agreement.

25.4 Relationship of Parties. Developer and Corporation shall not be construed as joint venturers or general partners, and neither shall have the power to bind or obligate the other party except as set forth in this Agreement. Nothing herein shall be construed as reserving to Corporation the right to control Developer's business.

25.5 Third Party Rights. The provisions of this Agreement are intended for the benefit of, and may only be enforced by the parties hereto and their respective successors

and assigns, including, as to Corporation, the Trustee. None of the rights or obligations of the parties herein set forth (or implied) is intended to confer any claim, cause of action, remedy, defense, legal justification, indemnity, contribution claim, set-off, or other right whatsoever upon or otherwise inure to the benefit of any Contractor, Architect, subcontractor, worker, supplier, mechanic, architect, insurer, surety, guest, member of the public, or other third parties having dealings with either of the parties hereto or involved, in any manner, in the Project. Notwithstanding the foregoing, if Developer fails to cause Substantial Completion of the Project to be achieved by the date set forth in the Project Schedule (subject to adjustment for Change Orders, Unavoidable Delays and Corporation-Caused Delays as provided herein), Tenant shall be deemed a third party beneficiary of this Agreement and may enforce the performance by Developer of its obligations under this Agreement.

25.6 Assignment; Encumbrance or Pledge. Neither this Agreement nor any portion thereof may be assigned by Developer without express written consent of Corporation, which consent may be withheld in the exercise of its absolute discretion. If Developer is not a corporation with publicly traded stock, then the transfer of more than 49% (in the aggregate during the entire term of this Agreement) of the stock held by shareholders of the corporation shall be deemed an assignment for purposes of this clause. Any attempted assignment contrary to the provisions of this Section shall be void. Notwithstanding the foregoing, claims for monies due or to become due to Developer from Corporation under this Agreement may be assigned with the written consent of the Corporation to a surety, bank, trust company, or other financial institution and may thereafter be further assigned or reassigned to any such institution. To effect such assignments, Developer, or Developer's assignee, shall submit a written request to Corporation enclosing a letter from the proposed assignee indicating that it will accept such assignment. Neither this Agreement nor any rights or duties hereunder nor any benefits derived herefrom may be assigned, delegated, pledged or encumbered to any other person or entity by Corporation without the express written consent of Developer, which consent may be withheld in the exercise of its absolute discretion, except that Corporation may assign its rights under this Agreement either to the Trustee pursuant to the Indenture as security in connection with the financing described in Section 3 above or to the Tenant if the Tenant is legally authorized to accept the assignment and to perform Corporation's duties and obligations under this Agreement.

25.7 Notices. Any notices or other communications required or permitted by this Agreement or by law to be served on, given to, or delivered to either party hereto by the other party, shall be in writing and shall be deemed duly served, given, or delivered when personally delivered to the party to whom it is addressed or in lieu of such personal service, three (3) days after it is deposited in the United States mail, first-class postage prepaid, certified or registered, return receipt requested, addressed as follows, or sent via electronic mail or facsimile transmission with received invoice followed by a "hard copy" mailed, regular mail, within one (1) business day to the email address or fax number listed as follows:

Corporation: Capital Facilities Development Corporation
Attention: Shane Silsby
c/o County of Orange/OC Public Works
300 N. Flower Street, 8th Floor
Santa Ana, CA 92703
Phone: (714) 667-9700
Fax: (714) 967-0876
Email: shane.silsby@ocpw.ocgov.com

with copy to:

Capital Facilities Development Corporation
Attention: Scott Dessort
c/o County of Orange/OC Public Works
1143 E. Fruit Street
Santa Ana, CA 92701
Phone: (714) 667-4924
Fax: (714) 667-4932
Email: scott.dessort@ocpw.ocgov.com

Developer: Griffin Structures, Inc.
Attention: Roger Torriero
2 Technology Drive
Irvine, California 92618
Phone: (949) 497-9000 x210
Fax: (949) 497-8883
Email: rtorriero@griffinholdings.net

Either party may change its address for the purposes of this section by giving written notice of such change to the other party in the manner provided in this Section.

25.8 Entire Agreement. This Agreement (and the Exhibits referred to herein) constitute the entire agreement between the parties with respect to the subject matter hereof and may be amended only in writing signed by both parties.

25.9 Time Is of the Essence. Time is of the essence of this Agreement.

25.10 Employees of Developer. Developer is acting under this Agreement as an independent contractor and nothing herein contained, or any acts of Developer or Corporation, nor any other circumstances, shall be construed to establish Developer as an agent of Corporation. Developer shall be responsible for each of Developer's employees or other persons performing services to be performed by Developer hereunder and for determining the manner and time of performance of all acts to be performed by Developer hereunder. Developer shall maintain all required industrial and worker's compensation insurance for all employees of Developer and shall cause all Contractors, Architect and all design professionals and other persons, firms and corporations employed to perform

services in connection with the Project to provide worker’s compensation and similar insurance with respect to their respective employees.

25.11 Exhibits. The Exhibits to this Agreement, which are hereby incorporated by this reference, are:

Exhibit	Description	Partial Section Reference
A	Legal Description of Land	Recitals; Section 1
B	Facility Lease Agreement	Recitals; Section 1
C	Site Plan	Recitals; Section 1
D	Breakdown of Project GMP	Sections 1, 4.4, 4.7, 6.1, 7.7, 8.17, 9.1, 9.7, 11.1, 11.3, 12.4
E	Schedule of Schematic Drawings and Specifications	Sections 1, 8.16
F	Project Schedule	Sections 1, 6.3
G	Developer’s Insurance Requirements	Sections 15.1, 16
H	Dispute Resolution Procedure	Sections 8.7, 24, 25.16
I	Reserved	
J	Reserved	
K	Developer’s Qualifications, Exclusions, and Allowances	Section 1
L	Final Completion form	Sections 1, 7.8
M	Special Inspections and Testing	Section 1
N	Certificate of Substantial Completion	Sections 1, 12.2
O	Form of Performance and Payment Bonds; Dual Oblige Rider	Section 7.3
P	Form of Project Application for Payment	Sections 1, 9.1
Q	List of Geotechnical Reports and Topographic Maps	Section 8.16
R	Corporation-Approved Procurement Plan	Sections 2.7, 5.2
S	Basis for Offsite Improvement Allowance	Section 1
T	Basis of Design	Section 4.5

25.12 Compliance with Civil Rights Laws. During the performance of this Agreement, Developer shall comply with all federal and applicable state nondiscrimination laws, including but not limited to: Title VII of the Civil Rights Act, 42 U.S.C. § 12101 et seq.; and the ADA; and the provisions of Section 8.02 of the Facility Lease that are applicable to Developer’s performance of this Agreement. In the performance of this Agreement, Developer shall neither engage in nor permit its Contractors to engage in discrimination against any employee or applicant for employment on any basis listed in California Government Code Section 12940, including but not limited to race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status, as those bases are currently defined in Government Code Sections 12926 and 12926.1, or as they may be modified. This prohibition shall pertain to employment, upgrading, demotion, or transfer;

recruitment advertising; layoff or termination; rates of pay and other forms of compensation; selection for training, including apprenticeship; and any other action or inaction pertaining to employment matters.

25.13 Public Records Act. Pursuant to the California Public Records Act (“CPRA”), Government Code Sections 6250 et seq., all records provided by Developer to Corporation are subject to public disclosure upon request except as otherwise provided by law. Prior to their submission to Corporation, Developer shall identify any records it believes are exempt from disclosure, and identify the applicable CPRA exemption. If the disclosure of such records is subsequently requested, Corporation will notify Developer of such request. Unless Developer obtains a protective order issued by a court restricting disclosure of the requested records, Corporation may disclose the records if Corporation determines that the Public Records Act requires disclosure. Developer shall indemnify and defend Corporation in any action to compel disclosure of such records that Developer has identified as exempt from CPRA and requested Corporation not to disclose.

25.14 Patent Infringement. Developer shall promptly report to Corporation any notice or claim of patent infringement arising from the performance of this Agreement. Developer shall, upon Corporation’s request, furnish to Corporation any and all information in Developer’s possession relevant to such notice or claim. Developer shall indemnify and defend Corporation from any and all claims or lawsuits on account of any alleged patent infringement arising out of the performance of this Agreement, and shall pay any judgment rendered against Corporation, its officers, or its employees resulting from such claim or lawsuit, except in cases where the patent infringement arises from an item specified by Corporation. If the Corporation requires Developer to include a product in the Construction Documents, and the Corporation-required product results in a patent infringement claim against Developer, then Corporation shall indemnify and defend Developer from any and all claims or lawsuits on account of any patent infringement arising out of the Corporation-required product, and shall pay any judgment rendered against Developer, its officers, or its employees resulting from such claim or lawsuit.

25.15 Corporation’s Property On Site. All of Corporation’s property removed or displaced pursuant to this Agreement shall remain the property of Corporation unless expressly stated otherwise in the Contract Documents, and Developer shall exercise reasonable care to prevent loss or damage to such property and shall promptly deliver it to the place designated by Corporation. In particular, all excavated clean soil is the property of Corporation and shall remain on site unless otherwise provided in the Contract Documents or otherwise directed by Corporation in writing.

25.16 Governing Law; Venue. This Agreement and all provisions hereof shall be interpreted in accordance with the laws of the State of California in effect on the date of execution of this Agreement. The Superior Court of Orange County, State of California shall have exclusive jurisdiction and venue over any legal action arising under this Agreement, except only to the extent that **Exhibit H** provides otherwise.

25.17 Securing Worker’s Compensation Insurance Certification. Developer, by executing this Agreement, hereby certifies: “I am aware of the provisions of Section

3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract."

25.18 Employee Eligibility Verification. Developer hereby certifies that it complies with all applicable laws and regulations regarding the eligibility of its employees to work in the United States, and that all of its employees performing work under this Agreement meet all citizenship or immigration status requirements to do so. Developer shall obtain all documentation necessary to verify the employment eligibility status of covered employees as described by U.S. Citizenship and Immigration Services Form I-9. Developer shall retain such documentation for the period prescribed by law. Developer shall indemnify, defend with counsel approved in writing by Corporation, and hold harmless the Corporation, its agents, officers, and employees from any sanctions or liability that may be assessed in connection with any violation of federal or State laws or regulations pertaining to the eligibility for employment of any of Developer's employees performing work under this Agreement.

25.19 Section 179D Allocation. As part of the Energy Policy Act of 2005, Congress enacted Section 179D of the Internal Revenue Code (26 U.S.C. §179D) to encourage the design and construction of energy efficient properties ("**Section 179D Deduction**"). Subsection (d)(4) of Section 179D allows government building owners to allocate potential Section 179D Deductions for the installation of energy efficient building envelopes, HVAC and hot water systems, and interior lighting systems to "the person primarily responsible for designing the property in lieu of the owner of such property." Corporation hereby allocates the Section 179D Deduction for the Project solely to Developer as "the person primarily responsible for designing the property," and Corporation agrees to execute (or to cause Tenant to execute) any documents or tax forms that may be reasonably required or requested by Developer to acknowledge or otherwise effectuate this allocation to Developer of the Section 179D Deduction for tax purposes. Corporation represents and warrants that it has not agreed to allocate the Section 179D Deduction to another party, and will not do so. Corporation specifically delegates the authority to the Corporation Representative to sign any required documents or forms.

25.20 Employment of Corporation and Developer Personnel. Corporation acknowledges and agrees that Developer has invested considerable time and money that would be difficult to quantify in the training and development of its employees. Therefore, without receiving the Developer's prior written permission, Corporation agrees to not hire, retain or contract with any employee ("**covered employee**") of Developer who performs any services for Corporation under this Agreement for a period of three (3) years following the date this Agreement is terminated or for three (3) years following the separation of a covered employee from the Developer's employment.

[Remainder of page intentionally left blank.]

DATED the day and year first above written.

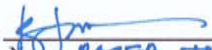
CORPORATION:


CAPITAL FACILITIES DEVELOPMENT CORPORATION
a California nonprofit public benefit corporation

By: _____
Name: _____
Its: _____

DEVELOPER:

GRIFFIN STRUCTURES, INC.,
a California corporation

By: 
Name: ROGER TORNIERO
Its: CEO

By: 
Name: MARK HOGGLUND
Its: CEO

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EXHIBIT A

Legal Description of Land

EXHIBIT A

PARCEL A
LEGAL DESCRIPTION
PROPOSED LEASE AREA

The land shown hereon is a portion of LLA No. 2017-01 recorded March 29, 2017, as Instrument No. 2017-000126636, of Official Records, in the City of Santa Ana, County of Orange, State of California, in the office of the the County Recorder of said county more particularly described as follows:

PARCEL A:

Commencing at the intersection of Civic Center Drive (formerly Hickey Street, & Eighth Street) and Ross Street per (R1);
THENCE S00°03'30"W 401.45 feet along the centerline of Ross Ave per (R2);
THENCE S89°56'30"E 48.00 feet, to the TRUE POINT OF BEGINNING for this description;
THENCE S89°20'41"E 409.58 feet along the northerly line of Parcel 1 of (R3) to the northeast corner of Parcel 1 of (R3);
THENCE N00°39'12"E 345.79 feet along the northerly prolongation of the easterly line of Parcel 1 of (R3) to the southerly line of (R5), point also being 54.00 feet south of the Centerline of said Civic Center Drive per (R1);
THENCE N89°12'11"W 387.86 feet along the southerly line of (R5) to the beginning of a tangent curve concave southeasterly and having a radius of 25.00 feet to which a radial bears N00°47'49"E;
THENCE southwesterly along said curve through a central angle of 90°44'19" and an arc length of 39.59 feet to a point 48.00 feet east of the Centerline of Ross Street per (R2)
THENCE S00°03'30"W 321.50 feet and parallel with the said Centerline of Ross street to the northerly line of Parcel 1 of (R3) and the TRUE POINT OF BEGINNING for this description.

Contains 3.41 ACRES

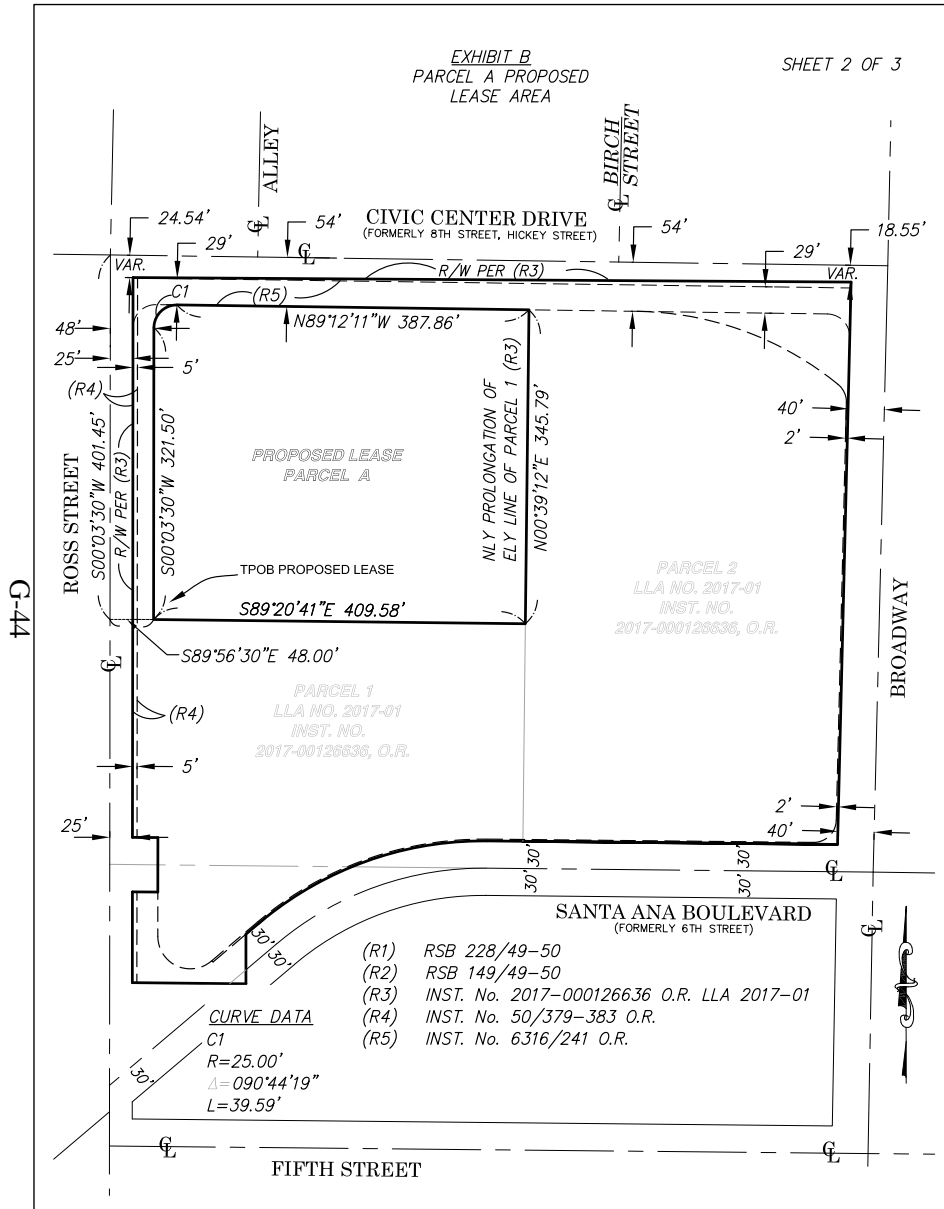
See Exhibit B attached hereto and thereby made a part of.

The Basis of Bearing for this description is based on the California System (CCS 83), Zone 6, Nad83, OCS (2007.00) Epoch adjustment, as determined locally by a line between continuous global positioning stations (CGPS) "SACY" and "OECC" being N80°43'39"E as derived from the coordinates published and on file in the office of the Orange County Surveyor.



EXHIBIT B
 PARCEL A PROPOSED
 LEASE AREA

SHEET 2 OF 3



EXISTING CONDITIONS

SHEET 3 OF 3

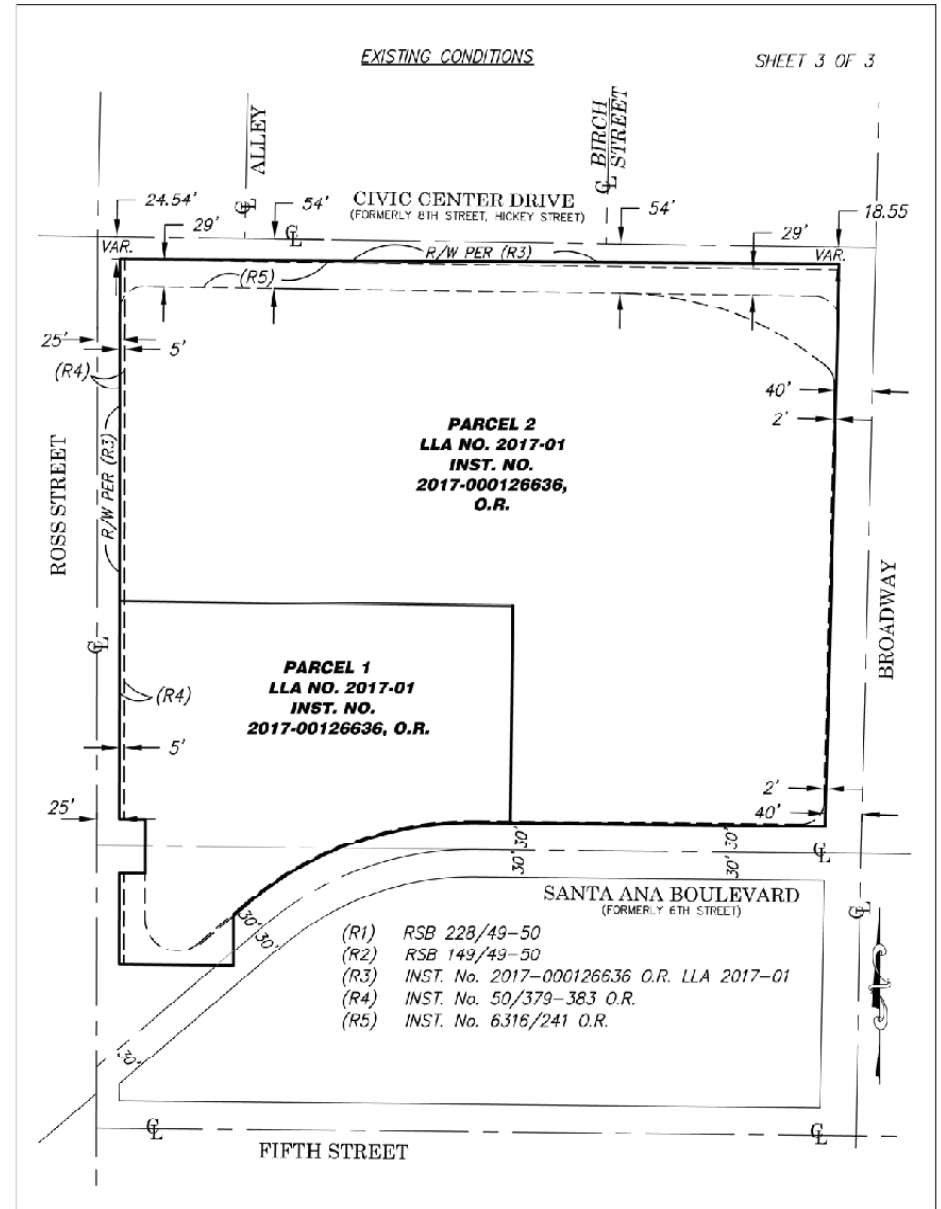
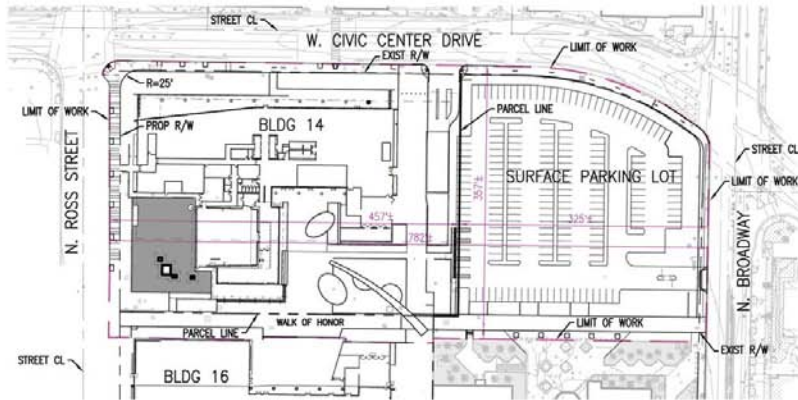


EXHIBIT B
Facility Lease

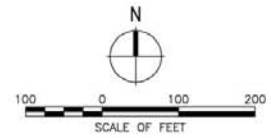
[to be attached]

EXHIBIT C
Site Plan

Exhibit C



- NOTES:**
- DIMENSIONS ARE TAKEN FROM BACK OF CURB.
 - MISCELLANEOUS OFFSITE WORK SUCH AS SIGNALIZATION AND UTILITIES CONNECTION ARE NOT SHOWN IN THIS LIMIT OF WORK EXHIBIT.
 - ADDITIONAL OFFSITE STREET IMPROVEMENTS WILL BE DETERMINED BY THE CITY OF SANTA ANA.



LPA 
 1000 S. GATEWAY AVENUE, SUITE 100
 SANTA ANA, CA 92701
 TEL: 714.241.1100 FAX: 714.241.1101
 WWW.LPA.COM



Building 14
 5801 W. SA 92701

THIS PLAN AND ALL INFORMATION THEREON ARE THE PROPERTY OF LPA AND SWINERTON. NO PART OF THIS PLAN OR INFORMATION THEREON IS TO BE REPRODUCED, COPIED, OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM, WITHOUT THE WRITTEN PERMISSION OF LPA AND SWINERTON. THE CITY OF SANTA ANA IS NOT RESPONSIBLE FOR THE ACCURACY OF THIS PLAN. THE CITY OF SANTA ANA IS NOT RESPONSIBLE FOR THE ACCURACY OF THIS PLAN. THE CITY OF SANTA ANA IS NOT RESPONSIBLE FOR THE ACCURACY OF THIS PLAN.

DATE	08/08
DATE	11/10/09
DATE	7/08

**EXHIBIT C
 SITE PLAN**

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EXHIBIT D
Breakdown of Project GMP

See attached

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EXHIBIT D
BREAKDOWN OF PROJECT GMP
ORANGE COUNTY CIVIC CENTER - FACILITY STRATEGIC PLAN - PHASE 2E
DESIGN DEVELOPMENT, CD, AND CONSTRUCTION - BUILDING 14
Date: September 4, 2018

COMPONENT	September-18		COMMENTS
	Phase 2B Bldg 14		
1 A/E SERVICES			
LPA Basic Fee - Programming and test fits	Excluded		In Phase A
LPA Basic Fee - Schematic Design	In basic services		
LPA Basic Fee - Design Development	In basic services		
LPA Basic Fee - Construction Documents Basic Services	6,468,939		This includes 2nd 50% DD, all alternates, enhanced security
LPA Fee on Enhanced Security	262,379		
LPA Basic Fee - Bidding	In basic services		
LPA Basic Fee - Construction Administration	In basic services		
LPA Design and Engineer offsite improvements	In basic services		
LPA Design and Engineer street improvements at CC and SA	In basic services		
LEED PROCESSING	In basic services		
Cost estimating	Excluded		In Phase A
Design and Engineer Structured Cabling and Security	In basic services		
Design and Engineer AV systems	In basic services		
Acoustical Engineering	In basic services		
Enhanced security	In basic services		
Power to CC garage	In basic services		
Add perimeter fencing			In county finance section
Physical models, fly through video, and VR	Excluded		In Phase A
ALTA Survey of the entire superblock	0		By county
Mapping of the entire superblock to create a new final tract map	Excluded		In Phase A
FF&E Specs and Procurement	In basic services		
LPA Reimbursables 2%	134,626		
2 MISC CONSULTANTS			
Structural peer review	0		Excluded
Commissioning, Enhanced Commissioning, and MEP peer	128,500		tk1sc proposal 7/26/18
Security systems design (CCTV, access control, intrusion)	46,500		tk1sc proposal 7/26/18
Roofing and waterproofing peer review	51,300		WJE proposal
Dry utility coordination (telco, cable, ISP)	10,000		Coordinate new service from CATV
Traffic Engineer	5,000		IBI budget
ADA peer review	18,500		Afshan Afshar proposal including final inspection
Misc added scope to be determined	50,000		
3 GEOTECHNICAL SERVICES			
Design Fee for completion of CD's, final reports	40,000		
4 CMAR Services			
Preconstruction services	293,000		
Base Project Construction Costs	153,725,952		Includes Owner Allowance of \$1,344,744 for Hearing Room AV
Enhanced security	4,372,986		
Board hearing room			incl above
Power to CC garage, <u>Alternate A</u>			incl above
Demo/Abatement of Buildings 11, 12W, and 14			incl above
CUF Steam and Chilled water valves and vaults			incl above
Relocate Traffic Lights and crosswalks			incl above
Site work at Building 14 lot and Building 12 lot			incl above
Add 1/2" interior glass	58,489		
Roller shades in lieu of verticals at offices			In County finance section
Add perimeter fencing			In County finance section
Add one year digital storage of CCTV video			In County finance section
5 TESTING AND INSPECTION			
Soils Testing (Geotechnical Inspections)	175,000		Leighton proposal
Materials Testing (Deputy Inspections)	650,000		Twining proposal

Roofing and waterproofing Inspections	35,000	Twining budget
Lead and asbestos abatement observation, testing, clearan	120,000	Budget from Citadel
Misc special inspections	20,000	
Curtainwall testing and inspections	75,000	
Independent arborist	5,000	
Archeo/Paleo site observation	50,000	
6 FIXTURES, FURNISHINGS, AND EQUIPMENT ALLOWANCE		
Interior Furniture (Desks, Chairs, Files, Appliances)	6,010,000	Owner's Allowance
Hearing Room furnishings	Incl	Incl above
Site furnishings	Incl	Incl above
7 UTILITY COMPANY CONNECTION SERVICES AND FEES		
Power, chilled water, hot water	0	
Cable TV	50,000	For extension from CC Drive
8 COUNTY, CITY, AND AGENCY FEES		
Development Impact Fees - City of Santa Ana	0	Not applicable
Development Impact Fees - County Agencies	0	Excluded, see recommended allowance below
School Facilities Fees	0	Not applicable
County Planning Dept processing fees	0	Not applicable
County Building Dept plan check and permit	0	Excluded, see recommended allowance below
City of Santa Ana public works fees	0	Excluded, see recommended allowance below
County Public Works Fees	0	Excluded, see recommended allowance below
City Police and fire fees	0	Excluded, see recommended allowance below
9 MISC CORPORATION COSTS		
Insurance - Liability	Excluded	Covered by general county liability policy
Builders Risk insurance	Above	Included in Construction cost
10 DEVELOPMENT AND CONSTRUCTION MANAGEMENT		
Legal	25,000	
Reimbursables	80,000	
Developer Contingency 2.5%	4,324,029	
Developer's Fixed Fee	6,826,824	
Developer's Fee on Enhanced Security and alternates	202,075	Based on 4.56% of AE and construction
Insurance 0.08%	1,474,513	
PHASE B BOND FINANCED TOTAL	185,788,613	
COUNTY FINANCED COMPONENTS		
Perimeter fence	887,833	
Roller shades	153,250	
Additional CCTV storage to one year	55,993	
Corporation Contingency	3,226,953	
PHASE B COUNTY FINANCED TOTAL	4,324,029	
DEVELOPER GMP TOTAL	190,112,642	

EXCLUDED ITEMS TO BE SEPARATELY FUNDED BY COUNTY:

Development Impact Fees - County Agencies	620,000	
County Public Works Fees	15,000	
County Building Dept plan check and permit	900,000	
City of Santa Ana Public Works and fire Fees	120,000	
Move costs	250,000	Includes move planner and moving company
IT and Communications equipment, programming, and insts	TBD	By OCIT and departments
Total	1,905,000	

EXCLUDED FROM THE PROJECT (ALTERNATES NOT TAKEN)

- Building 10 demo and parking
- 3rd stair to 6th floor
- 3rd stair to 2nd floor
- Supervisor patio

EXHIBIT E
Index of Approved Schematic Design Documents

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DOCUMENT LIST	
SHEET NUMBER	SHEET NAME
GENERAL	
1G0.00	TITLE SHEET
1G0.10	SHEET INDEX
1G0.20	GENERAL INFORMATION
CIVIL	
1C0.01	CIVIL NOTES
1C0.02	CIVIL NOTES
1C1.01	DEMOLITION PLAN
1C1.02	DEMOLITION PLAN
1C2.01	PRECISE GRADING PLAN
1C2.02	PRECISE GRADING PLAN
1C3.01	STORM DRAIN PLAN
1C3.02	STORM DRAIN PLAN
1C4.01	UTILITY PLAN
1C5.01	PROPOSED TRAFFIC SIGNAL AND PEDESTRIAN CROSSING
1C6.01	POTHOLING RESULTS EXHIBIT
LANDSCAPE	
1L0.01	LANDSCAPE NOTES & SCHEDULES
1L1.01	LANDSCAPE MATERIALS PLAN
1L1.02	LANDSCAPE MATERIALS PLAN
1L4.01	LANDSCAPE SECTIONS
1L5.01	CONSTRUCTION DETAILS
1L5.02	CONSTRUCTION DETAILS
1L5.03	CONSTRUCTION DETAILS
1L5.04	CONSTRUCTION DETAILS
1L6.01	IRRIGATION LEGEND AND NOTES
1L7.01	PLANTING PLAN
1L7.02	PLANTING PLAN
1L7.03	PLANTING PLAN
1L8.01	FENCING EXHIBIT
ARCHITECTURE	
1A2.01	PARKING LEVEL TWO PLAN
1A2.01A	PARKING LEVEL TWO PLAN SEGMENT A
1A2.01B	PARKING LEVEL TWO PLAN SEGMENT B
1A2.02	PARKING LEVEL ONE PLAN
1A2.02A	PARKING LEVEL ONE PLAN SEGMENT A
1A2.02B	PARKING LEVEL ONE PLAN SEGMENT B
1A2.03	FIRST FLOOR PLAN
1A2.03A	FIRST FLOOR PLAN SEGMENT A

DOCUMENT LIST	
SHEET NUMBER	SHEET NAME
1A2.03B	FIRST FLOOR PLAN SEGMENT B
1A2.03C	FIRST FLOOR PLAN SEGMENT C
1A2.03D	FIRST FLOOR PLAN SEGMENT D
1A2.04	SECOND FLOOR PLAN
1A2.04A	SECOND FLOOR PLAN SEGMENT A
1A2.04B	SECOND FLOOR PLAN SEGMENT B
1A2.04C	SECOND FLOOR PLAN SEGMENT D
1A2.05	THIRD FLOOR PLAN
1A2.05A	THIRD FLOOR PLAN SEGMENT A
1A2.05B	THIRD FLOOR PLAN SEGMENT B
1A2.06	FOURTH FLOOR PLAN
1A2.06A	FOURTH FLOOR PLAN SEGMENT A
1A2.06B	FOURTH FLOOR PLAN SEGMENT B
1A2.07	FIFTH FLOOR PLAN
1A2.07A	FIFTH FLOOR PLAN SEGMENT A
1A2.07B	FIFTH FLOOR PLAN SEGMENT B
1A2.08	SIXTH FLOOR PLAN
1A2.08A	SIXTH FLOOR PLAN SEGMENT A
1A2.08B	SIXTH FLOOR PLAN SEGMENT B
1A2.09	ROOF PLAN
1A2.09A	ROOF PLAN SEGMENT A
1A2.09B	ROOF PLAN SEGMENT B
1A2.10	ROOF ACCESS PLAN
1A2.10A	ROOF ACCESS PLAN SEGMENT A
1A2.10B	ROOF ACCESS PLAN SEGMENT B
1A2.11	ROOF ACCESS ROOF PLAN
1A2.11A	ROOF ACCESS ROOF PLAN SEGMENT A
1A2.11B	ROOF ACCESS ROOF PLAN SEGMENT B
1A2.12	PENTHOUSE ROOF PLAN
1A2.12A	PENTHOUSE ROOF PLAN SEGMENT A
1A2.12B	PENTHOUSE ROOF PLAN SEGMENT B
1A2.43D	FIRST FLOOR FINISH PLAN SEGMENT D
1A2.53D	FIRST FLOOR REFLECTED CEILING PLAN SEGMENT D
1A3.01	EXTERIOR ELEVATIONS
1A3.02	EXTERIOR ELEVATIONS
1A3.11	BUILDING SECTIONS
1A3.12	BUILDING SECTIONS
1A3.13	BUILDING SECTIONS
1A3.20	WALL SECTIONS
1A3.21	ENLARGED SECTIONS
1A5.01	INTERIOR ELEVATIONS

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DOCUMENT LIST	
SHEET NUMBER	SHEET NAME
STRUCTURAL	
1S0.01	GENERAL NOTES
1S0.11	TYPICAL FOUNDATION AND SOG DETAILS
1S0.12	TYPICAL FOUNDATION DETAILS
1S0.13	TYPICAL CONCRETE WALL DETAILS
1S0.14	TYP. CONC. BEAM and ELEVATED SLAB DETAIL
1S0.15	TYPICAL CONC. COL. SCHEDULE and DETAILS
1S0.21	TYPICAL STRUCTURAL STEEL DETAILS
1S0.22	TYPICAL METAL DECKING DETAILS
1S0.23	TYPICAL ELEVATED FLOOR and ROOF DECK DETAILS
1S0.31	TYPICAL CMU WALL ELEVATION and DETAILS
1S0.91	TYPICAL LIGHT GAUGE FRAMING SCHEDULES and ELEVATIONS
1S0.92	TYPICAL LIGHT GAUGE METAL FRAMING DETAILS
1S0.93	TYPICAL LIGHT GAUGE METAL FRAMING DETAILS
1S2.01A	BASEMENT LEVEL 2 FOUNDATION PLAN
1S2.01B	BASEMENT LEVEL 2 FOUNDATION PLAN
1S2.01C	BASEMENT LEVEL 2 FOUNDATION PLAN
1S2.02A	BASEMENT LEVEL 1 FRAMING PLAN
1S2.02B	BASEMENT LEVEL 1 FRAMING PLAN
1S2.02C	BASEMENT LEVEL 1 FRAMING PLAN
1S2.03A	LEVEL 1 FRAMING PLAN
1S2.03B	LEVEL 1 FRAMING PLAN
1S2.03C	LEVEL 1 FRAMING PLAN
1S2.03D	HEARING ROOM FOUNDATION PLAN
1S2.04.2	SERVICE YARD FRAMING PLANS
1S2.04A	LEVEL 2 FRAMING PLAN
1S2.04B	LEVEL 2 FRAMING PLAN
1S2.04D.1	HEARING ROOM LOW ROOF FRAMING PLAN
1S2.04D.2	HEARING ROOM ROOF FRAMING PLAN
1S2.05A	LEVEL 3 FRAMING PLAN
1S2.05B	LEVEL 3 FRAMING PLAN
1S2.06A	LEVEL 4 FRAMING PLAN
1S2.06B	LEVEL 4 FRAMING PLAN
1S2.07A	LEVEL 5 FRAMING PLAN
1S2.07B	LEVEL 5 FRAMING PLAN
1S2.08A	LEVEL 6 FRAMING PLAN
1S2.08B	LEVEL 6 FRAMING PLAN
1S2.09A	ROOF FRAMING PLAN
1S2.09B	ROOF FRAMING PLAN
1S2.10A	ROOF ACCESS FLOOR FRAMING PLAN
1S2.10B	ROOF ACCESS FLOOR FRAMING PLAN
1S2.11A	WEST ROOF CATWALK FRAMING PLAN
1S2.11B	EAST ROOF CATWALK FRAMING PLAN

DOCUMENT LIST	
SHEET NUMBER	SHEET NAME
1S2.12A	ROOF CANOPY FRAMING PLAN
1S2.12B	ROOF CANOPY FRAMING PLAN
1S2.13A	ROOF ACCESS ROOF FRAMING PLAN
1S2.13B	ROOF ACCESS ROOF FRAMING PLAN
1S2.31	NON-FRAME COL. SCHEDULE and DETAILS
1S4.01	BUCKLING RESTRAINED BRACED FRAME ELEVATIONS
1S4.02	BUCKLING RESTRAINED BRACED FRAME ELEVATIONS
1S4.03	BUCKLING RESTRAINED BRACED FRAME ELEVATIONS
MECHANICAL	
1M0.025	MECHANICAL SCHEDULES
1M1.00	MECHANICAL SITE PLAN
1M2.03D	MECHANICAL FIRST FLOOR PLAN SEGMENT D
1M2.09A	MECHANICAL ROOF PLAN SEGMENT A
1M2.09B	MECHANICAL ROOF PLAN SEGMENT B
ELECTRICAL	
1E1.00	SITE ELECTRICAL AND LOW VOLTAGE PLAN
1E1.01	SITE LIGHTING PLAN
1E1.02	SITE LIGHTING PLAN
1E4.00	SINGLE LINE DIAGRAM AND LOAD FEEDER SCHEDULE
ALTA SURVEY	
1	TITLE SHEET
2	BOUNDARY MAP
3	AERIAL TOPOGRAPHIC MAP
4	TOPOGRAPHIC MAP
5	TOPOGRAPHIC MAP
6	TOPOGRAPHIC MAP
7	TOPOGRAPHIC MAP
8	UTILITY MAP
9	UTILITY MAP
10	UTILITY MAP
11	UTILITY MAP
BASIS OF DESIGN -SCHEMATIC DESIGN	

EXHIBIT F
Project Schedule

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Exhibit F

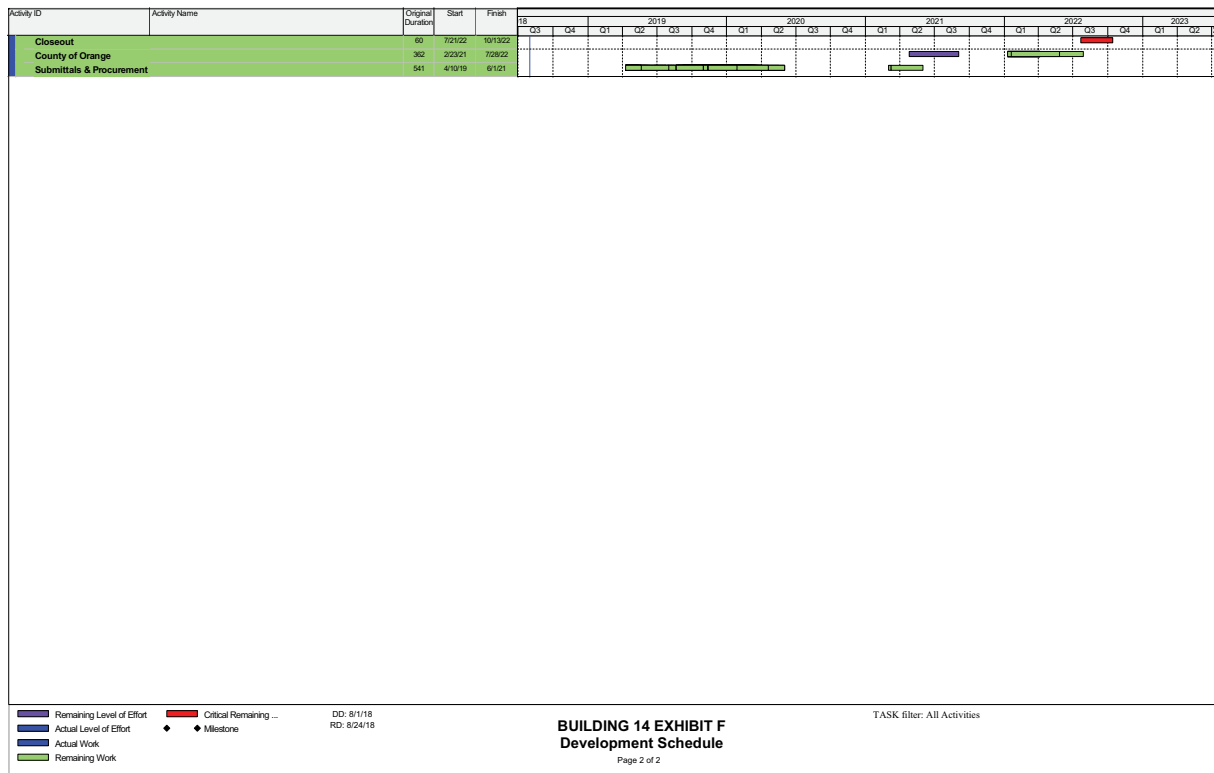
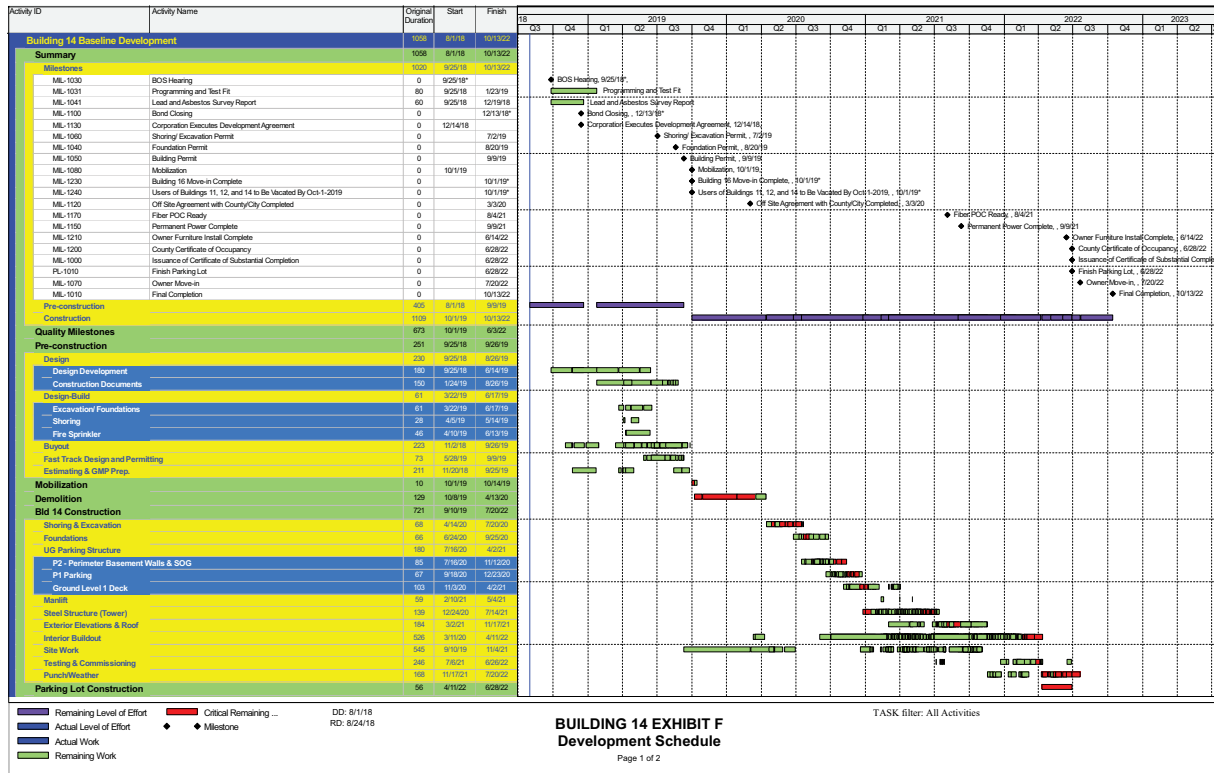


EXHIBIT G

Developer's Insurance Requirements

1.0 DEVELOPER'S OBLIGATION TO PROCURE AND MAINTAIN, AND TO CAUSE OTHERS TO PROCURE AND MAINTAIN, INSURANCE

1.1 Developer Insurance. Before starting the Work, and during the course of the Work and for such additional time as may be required hereunder, Developer must procure and maintain the insurance coverages described in Section 2 in conformance with Section 7. (References in this Exhibit G to Sections include all of the subsections of the identified Section.) The cost of Developer's insurance will be a Project Cost as set forth in the Agreement.

1.2 CMAR Insurance. Developer will require CMAR to procure and maintain the insurance coverages described in Section 3 and, if Corporation directs in writing that Developer or CMAR procures builder's risk insurance, Section 6, in conformance with Section 7. The cost of CMAR's insurance will be a Project Cost.

1.3 Trade Contractor Insurance. Developer will require CMAR to require the Trade Contractors to procure and maintain the insurance coverages described in Section 4 in conformance with Section 7. The cost of Trade Contractors' insurance will be a Project Cost.

1.4 Consultant Insurance. Developer will require Architect, Architect's subconsultants, and other consultants retained by Developer that are responsible for preparing the Construction Documents (collectively, the "Consultants") to procure and maintain the insurance coverages described in Section 5 in conformance with Section 7. The cost of Consultants' insurance will be a Project Cost, if billed by the Consultants to Developer.

1.5 Excess Insurance. Increased limits of the required insurance for Developer, CMAR, Trade Contractors, or Consultants may be met with umbrella/excess coverage provided the policy is written on a Follow Form basis.

2.0 DEVELOPER'S REQUIRED INSURANCE

2.1 Developer Insurance Coverage and Limits. Developer will procure and maintain the following insurance coverages, which must comply with the requirements set forth in Section 7.

Coverage	Minimum Limits
Commercial General Liability	\$3,000,000 per occurrence \$1,000,000 for personal advertising injury liability; \$3,000,000 aggregate for products-completed operations; and

	\$3,000,000 aggregate
Automobile Liability including converge for owned, non-owned and hired vehicles	\$1,000,000 per occurrence
Workers' Compensation	Statutory
Employers' Liability Insurance	\$1,000,000 per occurrence
Professional Liability	\$2,000,000 per claims made \$2,000,000 aggregate

3.0 CMAR'S REQUIRED INSURANCE

3.1 CMAR Insurance Coverage and Limits. Except as provided in Subsection 3.4, Developer will require CMAR to procure and maintain the following insurance coverages, which must comply with the requirements set forth in Section 7.

Coverage	Minimum Limits
Commercial General Liability Including Contractor's Pollution Liability and NODS	\$5,000,000 per occurrence \$1,000,000 for personal advertising injury liability; \$5,000,000 aggregate for products-completed operations; and \$5,000,000 aggregate
Automobile Liability including converge for owned, non-owned and hired vehicles	\$5,000,000 per occurrence
Workers' Compensation	Statutory
Employers' Liability Insurance	\$1,000,000 each accident for bodily injury by accident; \$1,000,000 policy limit for bodily injury by disease; and \$1,000,000 each employee for bodily injury by disease.
Umbrella/Excess Liability Insurance	\$25,000,000 each occurrence and \$25,000,000 general aggregate for Commercial General Liability, Automobile Liability, and Employer's Liability

3.2 CMAR Professional Liability Insurance . If any portion of the CMAR’s work includes design services, then CMAR must maintain (if performing the design work) during the duration of the Work and for three (3) years following Substantial Completion professional liability insurance, except as provided in Subsection 3.4. The limits must be at least \$1,000,000 each claim, \$2,000,000 annual aggregate. The coverage must include:

- (a) Limited contractual liability;
- (b) Retroactive date prior to work; and
- (c) Extended reporting period of 36 months.

3.3 CMAR Tool Insurance . The builder’s risk insurance required to be maintained under Section 6 of this **Exhibit F** will not cover machinery, tools, or equipment owned or rented by CMAR that are utilized in the performance of the Work but not incorporated in the permanent improvements. Except as provided in Subsection 3.4, CMAR will, at CMAR’s own expense (but such cost to be a Project Cost), provide insurance coverage for owned or rented machinery, tools, or equipment.

3.4 Alternative CCIP Insurance Coverage and Limits. Instead of complying with Subsections 3.1, 3.2, and 3.3, Developer will have the option, in Developer’s discretion, to comply with this Subsection 3.4 as an alternative to Subsections 3.1, 3.2, and 3.3. If Developer elects to proceed under this Section 3.4, then Developer will require CMAR to procure and maintain the Contractor-Controlled Insurance Program (“**CCIP**”) insurance coverages described in Subsection 3.4, in conformance with Section 7. The CCIP insurance limits will be maintained from Developer’s issuance of a Notice to Proceed for construction to CMAR for the duration of California Statute of Repose (but in no event longer than 10 years) and will be as follows (or limits may be increased and/or made project-specific):

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Primary Insurance	
Insurance Carrier	Zurich Insurance Company
Policy Period	Until the expiration of the California Statute of Repose (but in any event no longer than 10 years)
Limits	\$2,000,000 Each Occurrence \$4,000,000 General Aggregate \$4,000,000 Products/Completed Operations Aggregate \$1,000,000 Personal Injury/Advertising Injury
Deductible	\$250,000 Per Occurrence
Insured/Additional Insured	Swinerton Builders, Corporation, Developer, Subcontractors and other Enrolled Parties
Excess Insurance	

Insurance Carrier	Zurich Insurance Company
Policy Period	Until the expiration of the California Statute of Repose (but in any event no longer than 10 years)
Limits	\$25,000,000 Per Occurrence \$25,000,000 General Aggregate \$25,000,000 Products/Completed Operations Aggregate
Insured/Additional Insured	Swinerton Builders, Corporation, Developer, Subcontractors and other Enrolled Parties
Worker’s Compensation	
Insurance Carrier	Zurich American Insurance Company
Limits	Statutory
Insured	Swinerton Builders and all eligible onsite subcontractors of every tier
Employer’s Liability Insurance	
Insurance Carrier	Zurich Insurance Company
Limits	\$1,000,000 Each Accident \$1,000,000 Policy Limit \$1,000,000 Each Employee
Insured	Swinerton Builders and all eligible onsite subcontractors of every tier
Automobile Liability Insurance	
Insurance Carrier	Zurich Insurance Company
Limit	\$25,000,000
Insured	Swinerton Builders
Property/Equipment Insurance for owned/leased property & equipment	
Insurance Carrier	Zurich Insurance Company
Limit	Owned Real Property - \$16,000,000 Owned Personal Property - \$27,000,000

	Owned Equipment - \$16,000,000 Leased Equipment - \$1,500,000 any one item / \$3,000,000 per occurrence
Insured	Swinerton Builders
Contractor's Professional Liability Insurance	
Insurance Carrier	XL Catlin Insurance
Limits	\$1,000,000 Per Occurrence \$2,000,000 General Aggregate
Insured	Swinerton Builders
Deductible	\$500,000 SIR
Pollution Liability	
Insurance Carrier	
Policy Period	Until the expiration of the California Statute of Repose (but in any event no longer than 10 years)
Limits	\$1,000,000 Per Occurrence \$2,000,000 General Aggregate
Insured	Swinerton Builders

4.0 TRADE CONTRACTOR'S REQUIRED INSURANCE

4.1 Trade Contractor Insurance Coverage and Limits. Developer will require CMAR to require the Trade Contractors to procure and maintain the following insurance coverages, which must comply with the requirements set forth in Section 7.

If CMAR provides CCIP:

Coverage	Minimum Limits
Offsite General Liability	\$1,000,000 per occurrence
Automobile Liability including converge for owned, non-owned and hired vehicles	\$1,000,000 per occurrence

If CMAR does not provide CCIP, then for Trade Contractor's whose contract value is less than \$3,000,000:

Coverage	Minimum Limits
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Commercial General Liability	\$1,000,000 per occurrence \$1,000,000 for personal advertising injury liability; \$2,000,000 aggregate for products-completed operations; and \$2,000,000 aggregate
Automobile Liability including converge for owned, non-owned and hired vehicles	\$1,000,000 per occurrence
Workers' Compensation	Statutory
Employers' Liability Insurance	\$1,000,000 each accident for bodily injury by accident; \$1,000,000 policy limit for bodily injury by disease; and \$1,000,000 each employee for bodily injury by disease.

If CMAR does not provide CCIP, then for Trade Contractor's whose contract value equals or exceeds \$3,000,000:

Coverage	Minimum Limits
Commercial General Liability	\$2,000,000 per occurrence \$1,000,000 for personal advertising injury liability; \$2,000,000 aggregate for products-completed operations; and \$2,000,000 aggregate
Automobile Liability including converge for owned, non-owned and hired vehicles	\$1,000,000 per occurrence
Workers' Compensation	Statutory
Employers' Liability Insurance	\$1,000,000 each accident for bodily injury by accident; \$1,000,000 policy limit for bodily injury by disease; and \$1,000,000 each employee for bodily injury by disease.
Umbrella/Excess Liability Insurance	\$3,000,000 each occurrence and \$3,000,000 general aggregate for

	Commercial General Liability, Automobile Liability, and Employer's Liability
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4.2 Trade Contractor Professional Liability Insurance . If any portion of a Trade Contractor's work includes design services, then CMAR will require the Trade Contractor to maintain professional liability insurance. The limits must be at least \$2,000,000 each claim, and annual aggregate. The coverage must include the items in subsections (a) to (c) of Subsection 3.2.

4.3 Trade Contractor Tool Insurance . CMAR will require the Trade Contractor to maintain insurance the Trade Contractor's machinery, tools, or equipment owned or rented by the Trade Contractor that are utilized in the performance of the Work but not incorporated in the permanent improvements.

5.0 CONSULTANTS' REQUIRED INSURANCE

5.1 Consultant Insurance Coverage and Limits. Developer will require Consultants to procure and maintain the following insurance coverages, which must comply with the requirements set forth in Section 7.

Coverage	Minimum Limits
Commercial General Liability	\$1,000,000 per occurrence \$1,000,000 for personal advertising injury liability; \$2,000,000 aggregate for products-completed operations; and \$2,000,000 aggregate
Automobile Liability including converge for owned, non-owned and hired vehicles	\$1,000,000 per occurrence
Workers' Compensation	Statutory
Employers' Liability Insurance	\$1,000,000 each accident for bodily injury by accident; \$1,000,000 policy limit for bodily injury by disease; and \$1,000,000 each employee for bodily injury by disease.
Professional Liability	\$2,000,000 per claims made \$2,000,000 aggregate

6.0 BUILDER'S RISK INSURANCE

6.1 CMAR to Procure Builder's Risk Insurance. Developer will require CMAR to procure the required builders risk insurance coverage in place no later than commencement of construction of the Project. The builder's risk policy shall include Developer, CMAR and its Trade Contractors and Subcontractors, and Corporation as insureds in an amount equal to their interest with a loss payable clause in favor of Trustee. CMAR shall keep the builder's risk policy in place from commencement of construction to the date of Substantial Completion.

6.2 "All-Risk" Insurance. The builder's risk insurance will be on an "all-risk" or equivalent policy form. Coverage shall be provided for (a) losses on an all-risk basis and shall include, without limitation, insurance against the perils of fire (with extended coverage) and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, boiler explosion, and sprinkler leakage coverage; (b) the peril of earth movement ; (c) "extra expense;" (d) all materials to be stored offsite and while in transit to the jobsite; (e) "cold testing" of all building systems; (f) hot works; (g) Corporation's, County's, and Developer's loss of use of the Project due to delays in Project completion caused by covered peril losses to the Project, including loss of income and rents (for thirty (30) months) and soft costs such as interest on the Bonds, real estate taxes and insurance premiums; (h) the increased cost of construction, debris removal and demolition due to the operation of building laws and code upgrades; and (i) direct physical damage to the Project and loss of use caused by an off premises power interruption. If Corporation directs Developer not to include builder's risk insurance coverage for any of the perils listed above, including but not limited to earthquake, then Corporation will be deemed to self-insure against such perils and is solely responsible for and will pay (via a Change Order that increases the Project GMP and extends the Developer Obligation Date) Developer for all costs, expenses, and damages arising out of or relating to those perils that Corporation directed Developer not to include in the builder's risk insurance. Coverage shall not be provided for County's Personal Property. Builder's risk insurance will also not cover any tools, apparatus, machinery, scaffolding, hoists, forms, staging, shoring, and other similar items commonly referred to as construction equipment that may be on the Project Site and the capital value of which is not included in the Work, and will be for direct physical loss only. CMAR and the Trade Contractors will make their own arrangements for any insurance they may require on such construction equipment.

6.3 Deductibles. If the builder's risk insurance requires minimum deductibles or self-insured retentions, then Corporation will pay costs not covered because of such deductibles or self-insured retentions.

6.4 Off-Site Work. Unless otherwise provided in the Contract Documents, the builder's risk insurance will cover portions of the Work stored off the Project Site, and also portions of the Work in transit.

6.5 Waiver of Subrogation. The builder's risk policy shall include a waiver of subrogation provision, shall grant permission for partial occupancy of the facilities without having a detrimental effect on the coverage provided, and shall contain a separate debris removal

limit of liability which is separate from, in addition to, and not part of the overall policy limit of liability.

7.0 GENERAL INSURANCE REQUIREMENTS

7.1 Qualified Insurer. The policy or policies of insurance must be issued by an insurer with a minimum rating of A- (Secure A.M. Best's Rating) and VIII (Financial Size Category as determined by the most current edition of the Best's Key Rating Guide/Property-Casualty/United States or ambest.com). It is preferred, but not mandatory, that the insurer be licensed to do business in the state of California (California Admitted Carrier). If the insurance carrier does not have an A.M. Best Rating of A-/VIII, the Corporation's Representative retains the right to approve or reject a carrier after a review of the company's performance and financial ratings. Any fronting arrangement, captive insurer arrangement or arrangement to indemnify insurance carriers for losses must be disclosed and agreed to by Corporation.

7.2 Occurrence Basis. All insurance coverage required under this **Exhibit G** (whether by Developer, CMAR, Trade Contractors, or Consultants) must be on an occurrence basis, except the Professional Liability and Pollution Liability coverages, which will be on a claims made basis. *Modified Occurrence* and *Claims Made* forms are not acceptable forms of coverage except for the Professional Liability and Pollution Liability coverages.

7.3 Certificates of Insurance. Certificates of Insurance, as evidence of the insurance required under this **Exhibit G**, must be furnished to Corporation's Representative before any Work is commenced by the party responsible for providing the insurance and each year thereafter as required herein. Corporation reserves the right to request that Developer provide Corporation with copies of the declarations page showing all endorsements and a copy of the policy. Insurance certificates should be forwarded to the Corporation address listed in Section 25.7 of the Agreement.

7.4 Required Coverage Forms. The insurance coverage required under this **Exhibit G** (whether by Developer, CMAR, Trade Contractors, or Consultants) must be on the following forms and comply with the following requirements:

A. Workers' Compensation Insurance. Workers' Compensation insurance will be provided in accordance with Governmental Requirements.

B. Commercial General Liability (occurrence). The Commercial General Liability coverage shall be written on Insurance Service Office (ISO) form CG 00 01, or substitute form providing liability coverage as broad. The Commercial General Liability policy shall contain a severability of interests' clause (standard in the ISO CG 00 01 policy). The Commercial General Liability coverage must name Corporation, Tenant, and Developer; and each of their respective officers, directors, shareholders, managers, members, partners, boards, consultants, counsel, volunteers, affiliates, parents, subsidiaries, employees, and agents as additional insureds (the "**Additional Insureds**") without limitation or exclusion. The policy must stipulate that: *the insurance afforded the Additional Insureds will apply as primary insurance as respects any claim, loss or liability arising directly or indirectly from the insureds operation and that any other*

insurance carried by each of the Additional Insureds or by their respective partners, officers, directors, members, managers, and employees will be excess only and will not contribute with the insurance. The General Liability Policy for CMAR and Trade Contractors must delete ISO Endorsement No. 22 43, if attached. If any portion of the Work includes incidental design services, then the General Liability Policy for CMAR and Trade Contractors must include ISO Endorsement No. 22 79, or equivalent. The Certificate of Insurance must also identify any other endorsements that affect coverage, including, without limitation, ISO Endorsements 22 94 and 22 95. The policy must provide coverage for liability arising from premises, operations, independent contractors, products-completed operations, personal and advertising injury, and liability assumed under an insured contract (including the tort liability of another assumed in a business contract) and must include:

- (1) Bodily Injury and Property Damage Liability;
- (2) Products and Completed Operations Coverage with a policy limit of the amount set forth above that the named insured will maintain in effect on an annual renewal basis for a minimum period equal to the period under which a claim can be asserted under the applicable statutes of limitations and/or statute of repose;
- (3) Blanket Contractual Liability;
- (4) Broad Form Property Damage including Completed Operations;
- (5) Personal Injury Liability (not exclusively emotional distress);
- (6) Severability of Interest and Cross-Liability Clauses;
- (7) Defense provided in addition to the Limit;
- (8) Either Reinstatement of the Aggregate Upon Exhaustion (if available), or a Per Project Aggregate;
- (9) Independent Contractor's Liability;
- (10) Incidental medical malpractice;
- (11) Specific Waiver of Subrogation;
- (12) Additional Insured Endorsement manuscript form designated U462-0310 or its equivalent; and
- (13) Explosion, Collapse and Underground hazards.

C. Automobile Liability Insurance. Automobile liability insurance shall be written on ISO form CA 00 01, CA 00 05, CA 00 12, CA 00 20, or a substitute form providing liability coverage as broad, including coverage for all owned, hired and non-owned automobiles. The automobile liability insurance policy must include coverage for automobile contractual liability, specific waiver of subrogation and additional insured endorsement (naming all of the Additional Insureds).

D. Excess Coverage. The limits to apply in excess of primary required for Commercial General Liability, Automobile Liability, and Employers' Liability insurance and are as specified in this **Exhibit G** must be issued on an occurrence basis in excess of the underlying coverage which is at least as broad as the underlying policies. Coverage must include:

- (1) Additional insured endorsement;
- (2) Pay on behalf wording;
- (3) Concurrency of effective dates with primary;
- (4) Blanket contractual liability;
- (5) Punitive damages coverage (where not prohibited by law);
- (6) Care, custody and control follow from primary; and
- (7) Drop down feature.

E. CMAR'S Pollution Liability. During the term of construction, CMAR must maintain Contractor's Pollution Liability environmental insurance in a form and on conditions reasonably commercially available to CMAR and acceptable to Corporation, against environmental conditions (known and unknown) affecting the Project Site arising or contributed to by the Project. During the term of construction, Contractor's Pollution Liability (CPL) Coverage is required and for post-construction, either a CPL with an extended reporting option to include and provide coverage for completed operations until the expiration of the last applicable statute of limitation in the Project's jurisdiction or Specific Pollution Legal Liability (PLL) Policy without construction defect exclusion to include and provide coverage until the expiration of the last applicable statute of limitation in the Project's jurisdiction. Such insurance shall cover liability for personal injury and property damage arising from the release, discharge, escape, dispersal or emission of pollutants, whether gradual or sudden, and include coverage for the costs and expenses associated with voluntary clean-up, testing, monitoring and treatment of pollutants in compliance with governmental mandate or order. If the pollutant will be removed from the construction site, pollution liability is also required under the CMAR's or Trade Contractor's Automobile Liability Insurance. Both CPL and PLL environmental insurance coverage must have a modified definition of pollution condition to include coverage for Microbial Matter (Mold) or pathogens and all related claims, cleanup and remediation. The policies must name as additional insureds, on a primary basis without right of contribution from any other insurance available to them for the period of construction and the period of repose as their interests appear, the Additional Insureds identified in Subsection 7.4B.

7.5 Time to Maintain Insurance. The Commercial General Liability and Excess Liability insurance, including completed operations, is required to be carried for a minimum period equal to the period under which a claim can be asserted under the applicable statutes of limitations and/or statute of repose; provided, however, that with respect to the Excess Liability

insurance, no tail is required for the Contractor's Pollution Liability insurance. All parties that are required to maintain Professional Liability insurance under this **Exhibit G** must maintain such Professional Liability insurance for three (3) years after Substantial Completion of the Work. The insurance obligation contained in this **Exhibit G** will continue as specified regardless of the extinguishment of other rights or duties under the Agreement by completion, termination or any other manner.

7.6 Deductibles. Except as set forth in Subsection 6.3, the named insured shall be responsible for reimbursement of any deductible to the insurer or SIR provision (but the deductible or SIR will be a Project Cost).

7.7 Required Endorsements.

A. The Worker's Compensation policy shall contain a waiver of subrogation endorsement waiving all rights of subrogation against Corporation.

B. The Commercial General Liability policy shall contain the following endorsements:

(1) An Additional Insured endorsement using ISO form CG 20 10 or CG 20 33 and ISO form CG 20 37 or forms at least broad, naming the Corporation as Additional Insured.

(2) A primary non-contributing endorsement evidencing that the Policy Holder's insurance is primary and any insurance or self-insurance maintained by the Corporation shall be excess and non-contributing.

C. All insurance policies required by this **Exhibit G**, excluding Professional Liability, shall waive all rights of subrogation against Corporation.

[END OF EXHIBIT]

EXHIBIT H
Dispute Resolution Procedures

1.0 RESOLUTION OF DISPUTES

1.1 Intent. Corporation and Developer intend to resolve all disputes at the Project level without resorting to legal proceedings, if possible. Consistent with this intent, Corporation and Developer will endeavor to include a similar statement of intent and resolution procedure in contracts they each enter into so that all disputes can be considered at the Project level as a precondition to further proceedings. The provisions of Subsections 1.2 and 1.3 are such that only one or the other will apply based on whether the dispute arises before or after the Architect issues a Certificate of Substantial Completion (i.e., the parties are not required to participate in both Early Neutral Evaluation and mediation of the same dispute, but only one or the other).

1.2 Early Neutral Evaluation. Upon notification of a dispute by Corporation or Developer to the other occurring before the Architect issues a Certificate of Substantial Completion for the Project, Corporation and Developer will meet promptly to attempt to resolve the dispute. If unsuccessful, then prior to the initiation of any action or proceeding under the Contract Documents, Corporation and Developer will make a good faith effort to resolve the dispute by an Early Neutral Evaluation process. The parties will select a disinterested third party ("**Evaluator**") with expertise in the issues in dispute. In all disputes concerning performance claims, the Evaluator will render an assessment of the dispute, which the parties will use to structure a framework for settlement, or, at a minimum, to streamline the issues that will ultimately be mediated, arbitrated, or litigated as set forth below. To facilitate resolution, each party will prepare a "position paper" setting forth the material basis for their respective position. Each party will also prepare a short presentation before the Evaluator. Upon completion of the presentation, the Evaluator will identify areas of agreement, forecast liabilities, and establish, if applicable, a range for liability. Nothing disclosed by any party or evaluation made by the Evaluator may be admitted in any subsequent arbitration or litigation. If the dispute is not settled by Early Neutral Evaluation, then the provisions of Section 2 will apply.

1.3 Mediation. Upon notification of a dispute by Corporation or Developer to the other occurring after the Architect issues a Certificate of Substantial Completion for the Project, Corporation and Developer will meet promptly to attempt to resolve the dispute. If unsuccessful, then prior to the initiation of any arbitration or litigation, Corporation and Developer will create a resolution procedure and if they cannot so agree, then the parties will seek the assistance of a person or organization experienced in construction dispute resolution to conduct mediation as follows:

- (a) All parties to the mediation will promptly provide all other parties to the mediation with copies of essential documentation relevant to the support or defense of the matter being mediated.
- (b) The parties will not be required to mediate for a period greater than 91 calendar days unless otherwise agreed to in writing by the parties. The parties will share equally any administrative costs and fees of such proceedings, but will each be responsible for their own expenses otherwise incurred.

(c) If the statute of limitations would run during the required mediation period, then either party may institute litigation so as to avoid the running of such statute upon the condition that such party immediately seeks a stay of such litigation pending the conclusion of the mediation period.

(d) During the course of mediation, any party to the mediation may apply for injunctive relief from any court of competent jurisdiction until the mediation period expires or the dispute is otherwise resolved.

(e) Corporation and Developer are bound, each to the other, by this requirement to mediate prior to commencement of any arbitration or litigation. Each party agrees that it may be joined as an additional party to a mediation involving other parties under any such agreement. In the case where more than one mediation is begun under any such agreement and any party contends that the mediations are substantially related, the mediator selected in the mediation that was commenced first may hear the mediations.

2.0 FORMAL DISPUTE RESOLUTION PROCESS

2.1 Claims Resolved by Arbitration. Other than as specified below, claims, disputes, and other controversies up to \$2,000,000 between Corporation and Developer arising out of the Development Agreement that are not resolved pursuant to the procedures set forth in Section 1 will be subject to and decided by the applicable arbitration procedures set forth in Subsections 2.2-2.4.

2.2 Claims Less Than \$500,000. Disputes involving claims valued at less than \$500,000 (exclusive of claimed interest, attorneys' fees, and arbitration fees and costs) will be subject to binding arbitration before one arbitrator pursuant to the Fixed Time and Cost Construction Arbitration rules promulgated by the American Arbitration Association.

2.3 Claims Between \$500,000 and \$1,000,000. Disputes involving claims valued at between \$500,000 and \$1,000,000 (exclusive of claimed interest, attorneys' fees, and arbitration fees and costs) will be subject to the Procedures for Large Complex Construction Disputes promulgated by the American Arbitration Association with the following procedural requirements:

- (a) Each party will be required to timely comply with all discovery requests and to provide the opposing party with all relevant project records pertaining to its claim or claims no matter how scheduled (i.e., bifurcated by claim or in one hearing); and
- (b) Any fees or costs incurred in delaying the start of any scheduled hearings due to the failure to provide complete responses to discovery requests will be borne by the party so failing to provide complete responses as determined by the arbitrator(s).

2.4 Procedures For All Arbitrations. For all arbitrations, the following procedures apply:

(a) The arbitrator(s) must cease all hearings and will have no further jurisdiction relating to the dispute(s) (and the dispute(s) will be decided by litigation) if the situation arises where any person materially implicated in the dispute(s) is not bound by and will not agree to join in the arbitration and thus the possibility of inconsistent rulings becomes apparent. The issue of arbitrability will be decided by a court of

competent jurisdiction. To determine the amount of claims for purposes of Subsections 2.2-2.4, the amount will be the aggregate of all claims being asserted by the parties to the arbitration.

(b) This arbitration clause will not preclude the parties from seeking provisional remedies in aid of arbitration from a court of competent jurisdiction. The arbitrator(s) may, in the award, allocate all or part of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees (actually incurred, without any lodestar adjustments) of the prevailing party. The award rendered by the arbitrator(s) will be final and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof; provided, however, that by executing this Agreement, the parties agree that the Optional Appellate Arbitration Rules of the American Arbitration Association (whichever is applicable) will apply in all cases where the claims are in excess of \$500,000. The arbitration will take place in Orange County, California.

(c) The provisions of California Code of Civil Procedure Section 1283.05 or its successor section(s) will apply with respect to any arbitration requested in accordance with the provisions contained in this Section 2 provided that all discovery must be completed within 90 days of a demand for arbitration. Subject to the foregoing, depositions may be taken and discovery may be obtained in any arbitration proceeding requested pursuant to this Section 2 in accordance with the provisions of California Code of Civil Procedure Section 1283.05 or its successor sections. In no event may the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such dispute would be barred by the applicable statutes of limitations. The arbitrator will have no authority to award punitive or exemplary damages. In rendering the award, the arbitrator(s) must apply and follow applicable law and must set forth in detail the reasons for the decision, including findings of fact and law. The fees and expenses of the arbitrator(s) will be paid in the manner allocated by the arbitrator(s). Subject to the foregoing, the agreement to arbitrate will be specifically enforceable in California Superior Court for the County of Orange. The parties to the arbitration will use all reasonable efforts to conduct and complete the arbitration. With respect to claims totaling less than \$500,000 as specified above, the arbitration will commence not later than 180 days from the date of demand for arbitration by a party and the award will be rendered within 30 days of completion of the arbitration.

(d) If the provisions of Section 2 contradict any of the applicable rules of the American Arbitration Association, then the provisions of Section 2 will govern and control over the conflicting rule.

2.5 Claims In Excess Of \$1,000,000. Disputes involving claims valued in excess of \$1,000,000 (exclusive of claimed interest, attorneys' fees, and arbitration fees and costs) will be subject to and decided by litigation in an appropriate court in Orange County, California.

EXHIBIT I

Reserved

EXHIBIT J

Reserved

EXHIBIT K

Developer's Qualifications, Exclusions, and Allowances

See attached

**Exhibit K - Developer's Qualifications and Alternates
Building 14 – Phase 2B
August 31, 2018**

General

Exclusions

- Plan check and building permit fees, development impact fees.
- Offsite work other than expressly described elsewhere in this agreement.
- Any work related to offsite parking.
- Any required increases of offsite utilities arriving to the site (power, telephone, cable, hot and chilled water, domestic, fire) or leaving the site (storm drain, and sewer) are currently excluded from this scope.
- Any work on the existing Building 10 (HOA) site.
- Cost of moving and move management and coordination.

Inclusions

- Mechanical, Electrical and Plumbing permit fees.
- Builders risk insurance

Interior Construction

- 6th floor supervisors T.I. premium included at \$75/SF based on 22,500 GSF. This premium includes upcharge for complete build out including finishes, restrooms and showers. Finishes to be building standard, similar to floors 2-5.
- Excludes third stair to 3rd floor or 6th floor.
- Excludes Supervisor 6th floor patio.

HVAC

- Includes new vaults for chilled water and steam taps and valves.

Fire protection

- Fire tank / water storage is excluded.

Electrical

- All data switches, routers, WAP's, programming, patch cords, and UPS excluded, to be provided and installed by County. GMP includes related infrastructure, cabling and racks only.
- Cell phone antenna system by county. GMP includes conduit and boxes.
- Broadcast equipment and second video wall at Board Hearing Room is excluded.

Specialties and Equipment

- Parking access and revenue control pricing is based on Sentry Control Systems using Skidata equipment. Equipment includes (1) entry gate with lane equipment, (1) exit gate with lane equipment, (1) automatic pay station, (1) manual pay station, required server/network equipment and software.
- Parking attendant booth excluded.
- High density storage excluded.
- Security screening equipment at Board Hearing Room is excluded.

Sitework

- Underpinning of existing buildings, structures or roads excluded and assumed not required.
- Tie backs related to shoring operation to be de-tensioned to a depth of 15' below existing grade and left in place.
- Rakers excluded and not required.
- Salvage rights of all building materials, fixtures and equipment are incorporated into the GMP pricing.
- Demolition and hazardous material budget limited to the information that has been provided in the existing preliminary surveys.
- Removal or relocation of the existing US EOA Air Quality System as stated in section 4.2.1 of the Phase 1 ESA report is excluded.
- Existing underground utility lines outside of the excavation limits of work will be capped and abandoned in place.
- All work at Building 10 site excluded.
- Existing military memorial airplane to be removed and relocated by County.
- Existing memorial plaques at corner of Civic Center Dr. and Broadway to be relocated by County.
- Existing piles to be removed 3' below bottom of footings at new basement locations.
- Existing piles/pile caps to be removed 4' below existing SOG at Buildings 11 and 12. Remainder of pile depth to be left in place.

Alternate Item Description	Cost	Deadline for decision
Electronic Conference Room Scheduling system	321,008	Dec 31, 2021
Emergency phones in parking area	252,519	Dec 31, 2021
Full integration of intrusion alarm with CCTV and access control	80,694	Dec 31, 2021
Visitor management system added to access control	105,675	Dec 31, 2021
Upgrade acoustic ceiling tile to Armstrong Calla Tegular (#2823) for NRC of 0.85	438,233	Dec 31, 2019
Alternate B on Civic Center Garage power	93,129	Jan 15, 2019

EXHIBIT L

Final Project Completion and Acceptance Form

INITIAL AND DATE WHEN COMPLETED

<u>Item</u>	<u>Description</u>	<u>Corporation</u>	<u>A/E</u>	<u>Developer</u>
1.	Punchlist Completed/Repairs Made	_____	_____	_____
2.	O & M Manuals Provided	_____	_____	_____
3.	As-Built Drawings Completed	_____	_____	_____
4.	Warranties and Guarantees Provided	_____	_____	_____
5.	Owner Stock Material Issued	_____	_____	_____
6.	Consent of Surety for Final Payment (G707)	_____	_____	_____
7.	Release of Liens	_____	_____	_____
8.	Final Release of Liens	_____	_____	_____
9.	Utility Transfers Data (meter reading taken)	_____	_____	_____
10.	Removal of Temporary Facilities	_____	_____	_____
11.	Final Change Orders Issued	_____	_____	_____
12.	Warranty Procedures in Place/Explained	_____	_____	_____
13.	List of Subcontractors Provided	_____	_____	_____
14.	Final Pay Request Submittal	_____	_____	_____
15.	Certificate of Substantial Completion Issued	_____	_____	_____
16.	Certificate of Occupancy Issued	_____	_____	_____
17.	Owner Training	_____	_____	_____
18.	Keys	_____	_____	_____
19.	Permit Cards	_____	_____	_____
20.	Other Items:	_____	_____	_____

Corporation and Developer acknowledge that the above items are complete and the final Payment Application is approved for payment.

Corporation: _____

Architect: _____

Developer: _____

Name and Title

Name and Title

Name and Title

EXHIBIT M

Special Inspections and Testing

Developer will cause to be provided all of the special inspections and testing that are required by applicable Governmental Requirements, the Detailed Specifications, and the Building Permit, including but not necessarily limited to the following:

Building System	Inspecting authority	Type of inspections
Geotechnical (soil compaction)	Deputy inspector Geotech engineer	Field inspections Lab testing
Cast-in-place Concrete	Deputy inspector Licensed independent testing agency County Building Dept inspector	Field inspections Lab testing
Precast concrete	Licensed independent testing agency Deputy inspector County Building Dept inspector	Fabrication plan inspections Field inspections Lab testing
Structural Steel	Licensed independent testing agency Deputy inspector County Building Dept inspector	Fabrication plan inspections Field inspections Lab testing
Metal floor and roof deck	Deputy inspector County Building Dept inspector	Field inspections
Glass curtainwall and windows	Special consultant Licensed independent testing agency	Fabrication plan inspections Field inspections Lab testing
Roofing	Special consultant County Building Dept inspector	Field inspections
Below grade waterproofing	Special consultant County Building Dept inspector	Field inspections
Interior framing and drywall	County Building Dept inspector	Field inspections
Acoustical ceiling suspension	County Building Dept inspector	Field inspections

EXHIBIT N

Certificate of Substantial Completion Form

AIA® Document G704™ - 2000

Certificate of Substantial Completion

PROJECT:
(Name and address):
Building 14
645 N. Ross St.
Santa Ana, California 92701

TO OWNER:
(Name and address):
Capital Facilities Development
Corporation
333 W. Santa Ana Blvd., 3rd Floor
Santa Ana, CA 92701

PROJECT NUMBER:
CONTRACT FOR:
CONTRACT DATE:
TO DEVELOPER:
(Name and address):
Griffin Structures, Inc.
2 Technology Drive, Suite 150
Irvine, CA 92618

OWNER: [X]
ARCHITECT: [X]
CONTRACTOR: [X]
FIELD: []
OTHER: []

PROJECT OR PORTION OF THE PROJECT DESIGNATED FOR PARTIAL OCCUPANCY OR USE SHALL INCLUDE:

The Work performed under this Contract has been reviewed and found, to the Architect's best knowledge, information and belief, to be substantially complete. Substantial Completion is the stage in the progress of the Work when the Work or designated portion is sufficiently complete in accordance with the Contract Documents so that the Owner can occupy or utilize the Work for its intended use.

Warranty Date of Commencement

ARCHITECT BY DATE OF ISSUANCE

A list of items to be completed or corrected is attached hereto. The failure to include any items on such list does not alter the responsibility of the Contractor to complete all Work in accordance with the Contract Documents.

Cost estimate of Work that is incomplete or defective: \$

The Contractor will complete or correct the Work on the list of items attached hereto within () days from the above date of Substantial Completion.

DEVELOPER BY DATE

The Owner accepts the Work or designated portion as substantially complete and will assume full possession at (time) on (date).

OWNER BY DATE

The responsibilities of the Owner and Developer for security, maintenance, heat, utilities, damage to the Work and insurance shall be as follows:
(Note: Owner's and Developer's legal and insurance counsel should determine and review insurance requirements and coverage.)

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EXHIBIT O
Form of Bonds and Dual Oblige Rider



County of Orange

OC Public Works

Shane L. Silsby, Director

See attached.

FAITHFUL PERFORMANCE BOND

BOND NO. _____

CONTRACT NO. _____

(The premium charged on this bond is \$ _____, being at the rate of \$ _____ per thousand of the Contract price.)

KNOW ALL MEN BY THESE PRESENTS:

THAT, WHEREAS, GRIFFIN STRUCTURES, INC., entered into a contract dated

_____ 2018, hereinafter called "Contract," with

SWINTERTON BUILDERS

(Name and Address of Construction Manager at Risk)

hereinafter called "Principal," for the work described as follows:

BUILDING 14, PARKING AND RELATED SITE IMPROVEMENTS

_____ ; and

WHEREAS, said Principal is required under the terms of said Contract to furnish a bond for the faithful performance of said Contract, and,

NOW, THEREFORE, WE, the Principal, and

(Name and Address of Surety (ies))

duly authorized to transact business under the laws of the State of California, as Surety (ies), hereinafter called "Surety (ies)," are held and firmly bound unto GRIFFIN STRUCTURES, INC. in the penal sum of

_____ Dollars (\$ _____).

lawful money of the United States, for the payment of which sum, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

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BOND NO. _____

THE CONDITION OF THIS OBLIGATION is such that, if the Principal, his or its heirs, executors, administrators, successors or assigns, shall in all things stand to, and abide by, and well and truly keep and perform the covenants, conditions and agreements in the said Contract, and in any alteration thereof made as therein provided, on his or its part to be kept and performed, at the time and in the manner therein specified, in all respects according to their true intent and meaning, and shall indemnify, defend with counsel approved in writing by GRIFFIN STRUCTURES, INC., and save harmless GRIFFIN STRUCTURES, INC., its officers and agents, as therein stipulated, then this obligation shall become null and void; otherwise it shall be and remain in full force and virtue. And the said Surety (ies), for value received, hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the Contract, or to the work to be performed thereunder, or to the specifications accompanying the same, shall in anywise affect its obligations on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of the Contract, or to the work, or to the specifications.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this ____ day of _____.

By _____ Name & Title (see footnote)	By _____ Name & Title (see footnote)
By _____ Name & Title (see footnote)	By _____ Name & Title (see footnote)
	SURETY(ies) By _____ Name & Title (see footnote)

Footnote: Pursuant to the requirements of California Corporations Code section 313, one of the following two methods must be used by a corporation when it enters into a contract with the County:

- 1) Two people must sign the document. One of them must be the chairman of the board, the president or any vice president. The other must be the secretary, any assistant secretary, the chief financial officer or any assistant treasurer.
- 2) One corporate officer may sign the document, providing that written evidence of the officer's authority to bind the corporation with only his or her signature must be provided. This evidence would ideally be a corporate resolution.

Signature of Surety (ies) representative must be notarized. Attach certificate of notarization to this document. Name of Surety (ies) Company must be typed or stamped above signature line of surety (ies) representative.



County of Orange

OC Public Works

Shane L. Silsby, Director

LABOR AND MATERIAL PAYMENT BOND

BOND NO. _____

CONTRACT NO. _____

KNOW ALL MEN BY THESE PRESENTS:

THAT, WHEREAS GRIFFIN STRUCTURES, INC. has awarded to

SWINERTON BUILDERS

(Construction Manager at Risk's Name and Address)

hereinafter called "Construction Manager at Risk," a contract for the work described as follows:

BUILDING 14, PARKING AND RELATED SITE IMPROVEMENTS

_____ ; and

hereinafter called "Contract"; and,

WHEREAS, said Construction Manager at Risk is required by the provisions of Sections 9550 et. seq. of the Civil Code to furnish a bond in connection with said Contract, as hereinafter set forth; and,

NOW, THEREFORE, WE, the undersigned Construction Manager at Risk, as Principal, and

[Name and Address of Surety (ies)]

duly authorized to transact business under the laws of the State of California, as Surety (ies), hereinafter called "Surety (ies)," are held and firmly bound unto GRIFFIN STRUCTURES, INC. in the penal sum of

_____ Dollars (\$ _____),

lawful money of the United States, said sum being not less than the estimated amount payable by the said GRIFFIN STRUCTURES, INC. under the terms of the Contract, for the payment of which sum, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

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BOND NO. _____

R I D E R

THE CONDITION OF THIS OBLIGATION is such that, if said Construction Manager at Risk, his or its heirs, executors, administrators, successors, and assigns, or subcontractors, shall fail to pay for any materials, provisions, provender or other supplies, or teams, implements or machinery, used in, upon, for or about the performance of the work under the Contract to be done, or for any work or labor thereon of any kind, or for amounts due under the Unemployment Insurance Code with respect to such work or labor, as required by the provisions of California Civil Code 9550 et. seq., and provided that the claimant shall have complied with the provisions of said Civil Code, the Surety(ies) shall pay for the same in an amount not exceeding the sum specified in this bond, otherwise the above obligation shall be void. In case suit is brought upon this bond, the said Surety (ies) will pay a reasonable attorneys' fee to be fixed by the court. This bond shall inure to the benefit of any and all persons, companies and corporations entitled to file claims under Section 9100 of the Civil Code, so as to give a right of action to them or their assigns in any suit brought upon this bond, and shall also cover payment for any amounts required to be deducted, withheld, and paid over to the Employment Development Department from the wages of employees of the Construction Manager at Risk or his or its subcontractors pursuant to Section 13020 of the Unemployment Insurance Code. And the said Surety (ies), for value received, hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the Contract, or to the work to be performed thereunder, or to the specifications accompanying the same, shall in anywise affect its obligations on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of the Contract, or to the work, or to the specifications.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this ___ day of _____.

GRIFFIN STRUCTURES, INC.

CONSTRUCTION MANAGER AT RISK

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By _____
Name & Title (see footnote)

By _____
Name & Title (see footnote)

By _____
Name & Title (see footnote)

By _____
Name & Title (see footnote)

SURETY(ies)

By _____
Name & Title (see footnote)

Footnote: Pursuant to the requirements of California Corporations Code section 313, one of the following two methods must be used by a corporation when it enters into a contract with the County:

- 1) Two people must sign the document. One of them must be the chairman of the board, the president or any vice president. The other must be the secretary, any assistant secretary, the chief financial officer or any assistant treasurer.
- 2) One corporate officer may sign the document, providing that written evidence of the officer's authority to bind the corporation with only his or her signature must be provided. This evidence would ideally be a corporate resolution.

Signature of Surety (ies) representative must be notarized. Attach certificate of notarization to this document. Name of Surety (ies) Company must be typed or stamped above signature line of surety (ies) representative.

To be attached to and form part

of Bond No. _____

on behalf of **SWINERTON BUILDERS**, as Construction Manager at Risk ("Principal"),

in favor of **GRIFFIN STRUCTURES, INC.**

dated _____, 2018

It is hereby understood and agreed that:

1. CAPITAL FACILITIES DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation; and
2. ZIONS BANK, a Division of ZB, National Association;

is/are added as additional Oblige(e)s. Provided, however, that:

1. The Principal and the Surety shall not be liable under this bond to the Oblige(e)s, or either of them, unless said Oblige(e)s, or either of them shall make payments to the Principal (or to Surety if it arranges for performance of the Contract) in accordance with the terms of said Contract as to payment and shall perform all the other obligations to be performed under said Contract at the time and in the manner therein set forth.
2. Provided, however, that the attached bond as changed by this Rider shall be subject to all its agreements, terms and conditions and limitations except as herein expressly modified and that the liability under the attached bond as changed by this Rider shall not be cumulative and shall be limited in the aggregate to the penalty of the said bond.

Signed and dated this _____ day of _____ 2018

By: _____

By: _____

EXHIBIT P
Form of Project Application For Payment

See attached.

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APPLICATION AND CERTIFICATION FOR PAYMENT

AIA DOCUMENT G702

PAGE ONE OF _____ PAGES

TO CORPORATION: PROJECT: **Building 14**

APPLICATION NO: _____

Distribution to:

<input type="checkbox"/>	CORPORATION
<input type="checkbox"/>	ARCHITECT
<input type="checkbox"/>	DEVELOPER
<input type="checkbox"/>	CMAR

Capital Facilities Development Corporation
333 W. Santa Ana Blvd, 3rd Floor
Santa Ana, CA

PERIOD TO: _____

FROM DEVELOPER: VIA ARCHITECT:

Griffin Structures, Inc.
2 Technology Drive, Suite 150
Irvine, CA 92618

PROJECT NOS: _____

CONTRACT FOR: Development Management Services

CONTRACT DATE: _____

DEVELOPER'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G703, is attached.

The undersigned Developer certifies that to the best of the Developer's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Developer for Work for which previous Certificates for Payment were issued and payments received from the Corporation and that current payment shown herein is now due.

- 1. ORIGINAL CONTRACT SUM \$ _____
- 2. Net change by Change Orders \$ 0.00
- 3. CONTRACT SUM TO DATE (Line 1 ± 2) \$ 0.00
- 4. TOTAL COMPLETED & STORED TO DATE (Column G on G703) \$ 0.00
- 5. RETAINAGE:
 - a. _____ % of Completed Work (Column D + E on G703) \$ \$0.00
 - b. _____ % of Stored Material (Column F on G703) \$ Included in above
 - Total Retainage (Lines 5a + 5b or Total in Column I of G703) \$ 0.00
- 6. TOTAL EARNED LESS RETAINAGE (Line 4 Less Line 5 Total) \$ 0.00
- 7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate) \$ _____
- 8. **CURRENT PAYMENT DUE** \$ 0.00
- 9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6) \$ 0.00

DEVELOPER:

By: _____ Date: _____

CORPORATION'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the application, the Corporation certifies to the Trustee that to the best of the Corporation's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Developer is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED \$ _____

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

CORPORATION:

By: _____ Date: _____

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Developer named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Corporation or Developer under this Contract.

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Corporation		
Total approved this Month		
TOTALS	\$0.00	\$0.00
NET CHANGES by Change Order	\$0.00	

AIA DOCUMENT G702 - APPLICATION AND CERTIFICATION FOR PAYMENT - 1992 EDITION - AIA - ©1992

THE AMERICAN INSTITUTE OF ARCHITECTS, 1735 NEW YORK AVE., N.W., WASHINGTON, DC 20006-5292

CONTINUATION SHEET

AIA DOCUMENT G703

PAGE OF PAGES

AIA Document G702, APPLICATION AND CERTIFICATION FOR PAYMENT, containing

APPLICATION NO: _____

Developer's signed certification is attached.

APPLICATION DATE: _____

In tabulations below, amounts are stated to the nearest dollar.

PERIOD TO: _____

Use Column I on Contracts where variable retainage for line items may apply.

PROJECT NO: _____

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % (G ÷ C)	I BALANCE TO FINISH (C - G)	J RETAINAGE (IF VARIABLE RATE)
			FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD					
	(Fill in & break down contract values)								
	(Add any change order(s) descriptions)								
	GRAND TOTALS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$0.00	\$0.00

**EXHIBIT Q
LIST OF REPORTS**

Title	Author	Date
PHASE I ENVIRONMENTAL SITE ASSESSMENT AND SUBSURFACE BASELINE SCREENING REPORT BUILDINGS 11, 12 AND 14; 11, 12, AND 14 WEST CIVIC CENTER DRIVE SANTA ANA, CALIFORNIA	Leighton Consulting, Inc.	July 27, 2018
Limited Due Diligence Asbestos Bulk Sampling Addendum Letter Santa Ana Civic Center- Buildings 11, 12 and 14	Citadel Environmental Services, Inc.	August 29, 2018
Limited Due Diligence Asbestos Bulk Sampling Letter Report Santa Ana Civic Center- Buildings 11, 12 and 14 11 and 12 West Civic Center Drive and 601 North Ross Street, Santa Ana, California 92701	Citadel Environmental Services, Inc.	August 2, 2018
LIMITED ASBESTOS SAMPLING REPORT FACILITY: Hall Of Finance Building 11 Basement – Mechanical room 625 N. Ross Street Santa Ana, California	Encorp	October 30, 2017
LIMITED ASBESTOS SAMPLING REPORT FACILITY: Hall of Records – Bldg 12: Room 127, 630 N. Broadway Santa Ana, California	Encorp	April 4, 2017
LIMITED ASBESTOS SAMPLING REPORT FACILITY: Hall of Records – Building 12 12 Civic Center Plaza Santa Ana, California	Encorp	August 20, 2016
ASBESTOS SURVEY REPORT GSA HEADQUARTERS 645 ROSS ST. SANTA ANA, CALIFORNIA	Hillmann Environmental Co., Inc.	December 14, 1990
Asbestos-Containing Materials – Response Actions County of Orange Civic Center Building 12 Basement Backfill Project	Cardinal Environmental Consultants, Inc.	August 2006
REPORT FOR LIMITED LEAD AND ASBESTOS BULK SAMPLING Administration Hall - Room 138 Breezeway between Buildings 11 and 12 - Exterior wall 12 Civic Center Plaza 333 w. Santa Ana Boulevard Santa Ana, California 92701	Integrity Environmental Consultants, Inc.	August 7, 2013
GEOTECHNICAL EXPLORATION REPORT ORANGE COUNTY BUILDING 14 14 WEST CIVIC CENTER DRIVE SANTA ANA, CALIFORNIA	Leighton Consulting, Inc.	July 30, 2018

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EXHIBIT R - TRADE CONTRACTOR PROCUREMENT PLAN

THREE PROCUREMENT PACKAGES

- Package #1A – To Be Bid From 100% SD (GMP docs)
- Package #1B – To Be Bid From 100% DD Documents
- Package #2 – To Be Bid From Initial Building Permit Submittal Set of Documents
- Package #3 – To Be Bid From Permit Approved Drawings

Page 1 of 13

TRADE CONTRACTOR PROCUREMENT

- Prequalify All Trade Contractors
- Trade Contractors may be Selected on “Best Value” Basis
- CMAR may select Trade Contractors based only on their qualifications when CMAR can demonstrate it is in the best interest of the Project.

PROCUREMENT PACKAGE #1A

Trades (Procurement Critical):

- Glass and Glazing
- Precast

Page 3 of 13

BID PACKAGE #1A CONTENT

- 100% SD Drawings (GMP set)
- Project General Requirements
- Trade Contractor Agreement
- Exhibits/Attachments from Trade Contractor Agreement (See Next Slide)
- Instructions to Bidders and Bid Forms

BID PACKAGE EXHIBITS

- Attachment A – Insurance
- Attachment B – Document List
- Attachment C – Scope of Work
- Attachment D - Contract Recapitulation
- Attachment E – Billing Procedure
- Attachment F – Project Schedule
- Attachment G - Project Procedures Manual
- Attachment H - Collective Bargaining Agreement
- Attachment I - Safety, Health and Environmental Minimum Performance Standard
- Attachment J - MBE/WBE/DVBE
- Attachment K – Trade Contractor Modifications to Standard Documents
- Attachment L - California Public Works Project Requirements/ Prevailing Wage / Certified Payroll
- Attachment M - Virtual Design & Construction Guidelines
- Attachment N - LEED Guidelines
- Attachment O – Not Used
- Attachment P – Phasing and Logistics Plans
- Attachment Q – Quality Control Program

PROCUREMENT PACKAGE #1B

Trades (Procurement Critical):

Design Build

- Shoring
- Fire Sprinklers
- Elevators

Design Assist

- Mechanical
- Plumbing
- Electrical
- Structural Steel

BID PACKAGE #1B CONTENT

- 100% DD Drawings
- 100% Trade Specifications
- MEP BOD Trade Specifications
- Soils Report
- Project General Requirements
- Trade Contractor Agreement
- Exhibits/Attachments from Trade Contractor Agreement (See Next Slide)
- Instructions to Bidders and Bid Forms

Page 7 of 13

BID PACKAGE EXHIBITS

- Attachment A – Insurance
- Attachment B – Document List
- Attachment C – Scope of Work
- Attachment D - Contract Recapitulation
- Attachment E – Billing Procedure
- Attachment F – Project Schedule
- Attachment G - Project Procedures Manual
- Attachment H - Collective Bargaining Agreement
- Attachment I - Safety, Health and Environmental Minimum Performance Standard
- Attachment J - MBE/WBE/DVBE
- Attachment K – Trade Contractor Modifications to Standard Documents
- Attachment L - California Public Works Project Requirements/ Prevailing Wage / Certified Payroll
- Attachment M - Virtual Design & Construction Guidelines
- Attachment N - LEED Guidelines
- Attachment O – Not Used
- Attachment P – Phasing and Logistics Plans
- Attachment Q – Quality Control Program

BID PACKAGE PROCESS

- Project Team to Prequalify Trade Contractor Utilizing Team Format
- Project Team to Distribute Bid Packages to Prequalified Trade Contractors
- Project Team to Manage Trade Contractors Bid Process
- Project Team to Receive Trade Contractors Proposals
- Project Team to Review and Level Trade Contractors Proposals
- Project Team to Present Trade Leveling Sheets
- Project Team to Award Trade Contractors

PROCUREMENT PACKAGE # 2

Trades:

Schedule Critical

- Surveying
- Earthwork
- Demolition
- Site Utilities
- Concrete
- Rebar
- Waterproofing
- Masonry

BID PACKAGE # 2 CONTENT

- Permit Submission Set of Drawings
- 100% Trade Specifications
- Soils Report
- Project General Requirements
- Trade Contractor Agreement
Exhibits/Attachments from Trade Contractor Agreement
- Instructions to Bidders and Bid Forms

PROCUREMENT PACKAGE 3

Trades:

Remaining

- Metal Decking
- Misc Steel
- Framing and Drywall/Insulation
- Sheet Metal
- Caulking and Sealants
- Roofing
- Site Concrete
- Asphalt Paving
- Landscape and Irrigation
- Doors and Frames
- Millwork
- Tile and Stone
- Acoustical Ceilings
- Flooring
- Painting
- Signage
- Toilet Accessories and Partitions
- Window Treatments
- Site Furnishings
- Misc. Items

BID PACKAGE #3 CONTENT

- 100% Permit Drawings
- 100% Trade Specifications
- Soils Report
- Project General Requirements
- Trade Contractor Agreement
Exhibits/Attachments from Trade Contractor Agreement
- Instructions to Bidders and Bid Forms

EXHIBIT S

Basis of Supervisor Suites Allowance

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Exhibit S

EXHIBIT S: SUPERVISOR SUITES

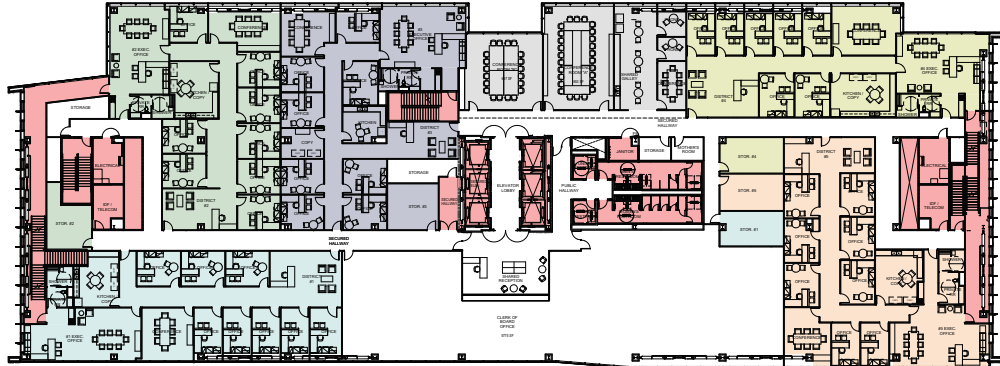
SUPERVISOR SUITES		AVERAGE / PROPOSED	AVERAGE / CURRENT
AREA		3750 SF	2,400 SF

SUPERVISOR EXECUTIVE OFFICE		AVERAGE / PROPOSED	AVERAGE / CURRENT
AREA		620 SF	550 SF
GLASS (LINEAR FEET)		+1,40'-0"	+1,40'-0"

SUPERVISOR SEPARATE STORAGE		AVERAGE / PROPOSED	AVERAGE / CURRENT
AREA		275 SF	135 SF

SPACE LEGEND

- BUILDING CORE SPACE
- DISTRICT #1
- DISTRICT #2
- DISTRICT #3
- DISTRICT #4
- DISTRICT #5
- MEETING ROOM



CONCEPTUAL TEST FIT STUDY



COUNTY OF ORANGE
BUILDING 14

EXHIBIT S
AUGUST 5, 2018
PROJECT # 181000
SCHEMATIC DESIGN PHASE



SWINERTON

CONFIDENTIAL DRAFT
REAL ESTATE NEGOTIATION
DO NOT CIRCULATE

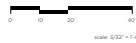


EXHIBIT S
LEVEL 6 PROGRAMMING TEST FIT

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EXHIBIT T
Basis of Design



See attached

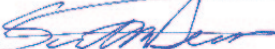



Building 14
EXHIBIT T - BASIS OF DESIGN
Schematic Design



County of Orange
Santa Ana, California

August 28, 2018

Reviewed and Approved

 _____ Signature	08/31/2018 _____ Date	 _____ Signature	8/29/18 _____ Date
By: County of Orange, CA		By: Griffin Structures	
 _____ Signature	08/30/18 _____ Date	 _____ Signature	8/30/18 _____ Date
By: LPA, Inc.		By: Swinerton Builders	

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Introduction

This Basis of Design serves as a narrative overview of the design assumptions, standards, systems descriptions and performance criteria identified by the design team for Building 14 (the Project). The Basis of Design has been prepared to assist in planning, design and cost estimating for the Project.

Project Description

Building 14 is a new LEED Silver Office Building with associated parking on a site where three buildings (11/12 & 14) and employee surface lot parking are currently located. The new project will be replacing Building 11 Hall of Finance 625 N. Ross St; Building 12 Hall of Records 630 N. Broadway and Building 14 Public Defender 645 N. Ross St. in Santa Ana, California.

The building will serve the following groups: Clerk of the Board, Health Care Agency, Chief Executive Office, County Counsel, Risk Management, Central Human Resources, Orange County Performance Auditor, IT Support and the County Board of Supervisors.

The building will be a six-story mid-rise office building over two levels of subterranean parking for approximately 350 parking stalls.

In addition to the build-out of the core, the typical floor build-out will consist of an average 25% Private Office / 75% Workstation ratio. This will be validated in detailed programming and planning phases with the departments and groups relocating to this new building. There will be Public Reception Counters, a Sheriff Kiosk, Multipurpose/Board Hearing Overflow Room, Breakrooms, Copy/Supply Rooms, and a variety of Conference and meeting spaces for internal and external meetings. Additionally, the Board of Supervisors will be located on the 6th floor, and a 300-seat capacity Board Hearing Room will be located on the first floor. Back of House support spaces for the Board Hearing Room will be located adjacent to the Board Hearing Room.

Coordination with County's A-E Guide

This Basis of Design serves to define the Project for contractual purposes. The Project Team has received generic requirements from the County in the form of the A-E Guide. This document increases the specificity of the systems for purposes noted above.

Should there be a deviation between this Basis of Design and the County's A-E Guide, this document will govern.



SUSTAINABLE PROJECT GOALS & OBJECTIVES

- A. Meet the requirements of the Green Building Code.
- B. LEED-NC v4 Silver Certification is anticipated for this building.

CODES AND STANDARDS

- A. ASHRAE Standard 62.1-2010
- B. ASHRAE Standard 55-2010

MUNICIPAL / STATE BUILDING CODES AND STANDARDS

- A. 2016 California Building Code
- B. 2016 California Green Building Standards Code
- C. 2016 California Mechanical Code
- D. 2016 California Plumbing Code
- E. 2016 California Electrical Code
- F. 2016 California Energy Code
- G. 2016 California Fire Code
- H. 2016 California Reference Standards Code
- I. 2016 NFPA 13 Standard for the Installation of Sprinkler Systems
- J. 2016 NFPA 14 Standard for the Installation of Standpipe and Hose Systems
- K. 2016 NFPA 20 Standard for the Installation of Stationary Pumps for Fire Protection
- L. 2016 NFPA 72 National Fire Alarm and Signaling Code
- M. Factory Mutual (FM)
- N. Underwriters Laboratories (UL) – listed and labeled
- O. 2010 Americans with Disabilities Act Standards
- P. OCFCA High-Rise Buildings Guideline H-01 (Revised August 8, 2014)
- Q. 2015 NPDES Requirements

SYSTEM DESCRIPTIONS & PERFORMANCE SPECIFICATIONS

A. SITE & CIVIL

Note! Due to CEQA findings underway, off-site scope of work is unknown at this time and is, therefore, excluded from the Project. Additionally, any required increases of utilities arriving to the site (power, telephone, cable, hot and chilled water, domestic, fire) or leaving the site (storm drain, and sewer) are currently excluded from this scope.

- 1. Site Grading:
 - a. Jurisdiction:
 - On-site approvals shall be by the County of Orange.
 - b. Existing Conditions:
 - There is grade differential between the existing building and the existing street.
 - An existing topographic survey was provided to prepare a grading study.

- c. Proposed Conditions:
- Grading adjacent to the building shall be sloped at a minimum of 0.5 percent and 1.9 percent maximum for Portland Cement Concrete pavement away from the building.
 - For the hardscape area, the slope shall not be more than 1.9 percent in order to meet the accessible path of travel.
 - Due to the subterranean nature of the project, there will be substantial export and full-perimeter shoring required.
 - Any demolition debris shall be removed from proposed grading areas prior to the start of grading.
- d. Soil Conditions:
- Results of the infiltration testing indicated that direct infiltration to the subsurface is not considered feasible per the draft soils report dated July 27, 2018.
2. Stormdrain:
- a. Jurisdiction:
- On-site stormdrain and Water Quality approvals shall be reviewed by the County of Orange.
 - Off-Site stormdrain connections will be reviewed by the City of Santa Ana Public Works Agency.
- b. Existing Conditions:
- There is an existing 24" stormdrain line in Ross Street.
 - It is assumed that the existing off-site stormdrain lines are adequate in size and are not anticipated to be upsized.
- c. Proposed Conditions:
- Proposed drainage patterns will follow existing drainage patterns to the maximum extent possible.
 - Any surface runoff onto offsite Ross Street, Broadway and Civic Center Drive should be avoided.
 - A Water Quality Management Plan (WQMP) will be prepared and will require approval by the County of Orange.
 - Water Quality Best Management Practices (BMP's) will be required for compliance with the current County of Orange May 19, 2011 Model Water Quality Management Plan (WQMP) and will include low impact development BMP's such as bio treatment systems and underground storage tanks.
 - Total expected water quality runoff shall be calculated. The placement and number of treatment systems will depend on the site plan and landscape areas.
 - Storm drain pipes shall be High Density Polyethylene (HDPE).
 - Storm water storage tanks (Jenson Detention Reservoir or Oldcastle Storm capture Vault) are proposed based on the required Design Capture Volume.
 - Modular Wetlands biotreatment system is proposed based on the required Design Flow Rate.
 - Storm drain sump pump system is proposed to discharge on-site runoff to the existing City's storm drain system in Ross Street.
3. Storm Water Pollution Prevention Plan (SWPPP) Requirements:
- a. Since September 2, 2011, all stormwater dischargers are required to complete a SWPPP and follow State requirements including uploading the SWPPP to the SMARTS database. Below is a summary of information for the Client to follow and some history/facts for reference. This process shall be done before any construction begins on-site.
- b. Following is the process for registering a new project on the SMARTS system:
- The owner or Legally Responsible Person (LRP) must initiate the process by signing up on the SMARTS system. It is beneficial to start this process as soon as possible so when the SWPPP is completed, the Notice of Intent (NOI) can be filed.

- If the LRP does not have an account with the Storm Water Regional Control Board (SWRCB), a three-step process exists to create an account:
 - Go to <https://smarts.waterboards.ca.gov/smarts/faces/SwSmartsLogin.jsp> and "Sign Up" for a new account. They will be registering as the "Legally Responsible Person" (LRP). The LRP is the only person who may initiate the system, link everyone together, and approve the SWPPP.
 - Fill out the requested details in the next step of the registration process. There are several tabs that are required to be completed.
 - Initiate the Project on the SMARTS system and specify the "Data Submitter" (DS). Submitter(s) are registered in the system and should be searchable by name. They need to be linked to the County and the project by the LRP. The DS will then be able to upload the SWPPP.
 - After the SWPPP has been uploaded, the Client shall review and approve the plan on the SMARTS. The SMARTS will produce a fee letter that shall be printed and sent to the State Regional Water Quality Board. Submitting this letter files the Notice of Intent (NOI) through SMARTS and initiates an approximate ten-day period for obtaining the Waste Discharger Identification (WDID) number.
- The following is a brief history and facts for reference:
 - The National Pollutant Discharge Elimination System (NPDES) General Permit for Storm Water Discharges Associated with Construction and Land Disturbance Activities.
 - On September 2, 2009, the State Water Resources Control Board adopted a new order for storm water discharge which became effective as of July 1, 2010. There are three major revisions of note:
 - All Projects must be registered on the new SMARTS (Storm Water Multi Application & Report Tracking System) System.
 - Projects shall have a consistent project team hierarchy consisting of a Legally Responsible Person (LRP), a qualified SWPPP developer (QSD) and a Qualified SWPPP Practitioner (QSP) among others.
 - All SWPPP (Storm Water Pollution Prevention Plan) documents must be written, amended and certified by a qualified SWPPP developer (QSD). (This is limited to a smaller group of professionals including licensed landscape architects and civil engineers.)
- Project Registration:
 - Beginning July 1, 2010, all legally responsible persons (LRP) with new and existing projects which have not been completed will be required to register on the SMARTS system. The SMARTS system will be used for submittal of all permit registration documents including a Notice of Intent (NOI), risk assessment, site map, SWPPP documentation, signed certification statement, Notice of Termination (NOT) and post construction water balance performance.
- Project Anatomy:
 - All general permits for storm water discharge will be serviced by a team consisting of a Legally Responsible Person (LRP), an Approved Signatory (AS), a Qualified SWPPP Developer (QSD), a Qualified SWPPP Practitioner (QSP) and data submitters.
 - A LRP is the individual who certifies the NOI and is responsible for reviewing, validating and certifying the annual report. The LRP must have a user account and a secret code number (SCN) in order to link project WDID numbers, approved signatories and data submitters to the project account.
 - Another employee may be designated to certify documents on behalf of the LRP but may not be a contractor or consultant.
 - A QSD is a certified professional who will prepare SWPPP documents.
 - A QSP is an individual assigned to observe, sample, analyze and ensure full compliance with the permit/SWPPP implementation.
 - A Data Submitter (DS) is any individual authorized by the LRP to enter data into the SMARTS

system.

4. Water:

a. Jurisdiction:

- On-site water shall be approved by County of Orange.
- Off-site water connections or modifications shall be approved by the City of Santa Ana Public Works Agency.

b. Existing Conditions:

- There is a 12" main line in Ross Street and Civic Center Drive.
- It is assumed that the existing off-site water lines are adequate in size and are not anticipated to be upsized.

c. Proposed Conditions:

- The water meter service with backflow preventer will be provided, size to be determined.
- The service for domestic and irrigation water is proposed to tap into the existing 12" main in Civic Center Drive.
- Domestic water pipes 4 inches or larger shall be PVC (C900 DR14).
- Domestic Water pipes smaller than 4 inches shall be PVC (Sch 80).
- Any trench work in Civic Center Drive will require additional paving.

5. Fire Water:

a. Jurisdiction:

- On-site water will be reviewed by the County of Orange.
- Off-site water connections or modifications will be approved by the City of Santa Ana Public Works Agency.
- Revisions to the Fire Master Plan will be approved by the Orange County Fire Authority.
- Revisions to the Underground Fire Plans will be approved by the Orange County Fire Authority.

b. Existing Conditions:

- There is a 12" main line in Ross Street and Civic Center Drive.
- Domestic and Fire are a combined system.
- It is assumed that the existing off-site water lines are adequate in size and are not anticipated to be upsized.

c. Proposed Plans:

- A double detector check valve is proposed on the main line from Civic Center Drive.
- Fire hydrants may be required along Ross Street and Civic Center Drive.
- Fire water pipes shall be PVC (C900 DR14)
- Any trench work in Ross Street and Civic Center Drive will require additional paving.

6. Reclaimed Water:

- a. There are no separate reclaimed water lines for this site.

7. Sewer:

a. Jurisdiction:

- On-site sewer will be reviewed by the County of Orange.
- Off-site sewer connections or modifications will be approved by the City of Santa Ana Public Works Agency.

b. Existing Conditions:

- There is an 8" VCP in Civic Center Drive.
- It is assumed that the existing off-site sewer lines are adequate in size and are not anticipated to be upsized.

c. Proposed Plans:

- It is assumed that the sewer can be connected to the 8" sewer line in Civic Center Drive.
- Sewer pipes shall be PVC (SDR-35).
- Any trench work in Ross Street will require additional paving.

B. LANDSCAPE/IRRIGATION SYSTEMS

1. Irrigation systems shall be located around the buildings in the landscaped areas. Landscape areas will use a combination drip irrigation system. County requested simplest controller system allowed within required regulations (AB 1881)
2. Plant palette shall consist of mainly drought tolerant trees, shrubs, vines and groundcovers.
3. Appropriate landscape may be used for storm water management.
4. Streetscape plantings to be consistent with city standards.
5. Accent planting will be used at public spaces and building entries for weather protection and way finding.
6. Plantings used will be suitable for local climate and microclimates.
7. Provide for ADA access as required.
8. Natural colored concrete paving will be the prevalent hardscape material with accent paving at pedestrian gathering areas and building entries.
9. Hardscape elements include decorative concrete, seating, and raised planters and tube steel picket perimeter security fencing.
10. Precast concrete walls white in color will surround the ground floor break area on the north side of the building.

C. STRUCTURAL SYSTEMS

1. Design Load Combinations:
 - a. Loads imposed on the structure shall be combined as required by 2016 CBC Section 1605.
2. Wind Loads:
 - a. As per the 2016 CBC, Section 1609.
 - b. Design Factors:
 - Basic Wind Speed: 120 MPH for Main Wind-Force Resisting System
 - Basic Wind Speed: 110 MPH for components and cladding
 - Exposure Type: Exposure C unless Exposure B can be justified per ASCE Standard 7-10 Section 26.7.3.
 - Risk Category IV for Main Wind-Force Resisting System (MWFRS) only. Risk Category II for components and cladding design.
3. Seismic Loads:
 - a. As per the 2016 CBC and ASCE Standard 7-10 with supplements.
 - b. Design Factors: (Unless updated by geotechnical report)
 - Soil Profile Type: D
 - SDS = 0.970
 - SD1 = 0.534
 - I = 1.5 for primary structural elements only.
 - Please note this building will not be designed to Essential Facility Standards other than as follows:



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- Primary structural and foundation systems will be designed based on the requirements for Risk Category IV.
 Non-structural components and their anchorage shall be designed based on the requirements of the 2016 CBC including a component importance factor (I_p) equal to 1.5 for Fire protection sprinkler systems and egress stairways will be designed per 2016 CBC Chapter 13 using I_p equal to 1.5.

- All other non-structural components and their anchorages will be designed per the requirements for a Risk Category II Building (I_p = 1.0).

Please note there is currently no intention for this building to incorporate a blast resistant design component. Options for this feature will be presented for County approval

4. Live Loads:

- Roof – 20 psf
- Floor – 80 psf
- Partitions – 15 psf LL (10 psf DL seismic)
- Stairs, Lobbies, Exits – 100 psf
- High-density shelving for document storage will be designed for additional live load appropriate for the configuration of the shelving and the media being stored.
- The drive aisle on the ground floor elevated slab will be designed for applicable fire truck loadings as defined by the local authority.

5. Floor Vibration Criteria

- Design for human comfort per AISC Design Guide 11 (latest printing) or equivalent acceptable method.
- Acceleration limit: 0.5 % g
- Damping ratio: 0.02 unless higher damping is justified based on current and future use of the space

6. Material Properties – All Construction:

a. Concrete:

All structural concrete to have a minimum compressive strength at 28 days as follows:

- Footings and Grade Beams: f_c = 4,000 PSI (145 PCF)
- Slab On Grade: f_c = 3,000 PSI (145 PCF)
- Normal Weight Concrete Fill: f_c = 4,000 PSI (145 PCF)
- Light Weight Concrete Fill: f_c = 4,000 PSI (115 PCF)
- Elevated Concrete Slabs: f_c = 5,000 PSI (145 PCF)
- Concrete Beams and Columns: f_c = 5,000 PSI (145 PCF)
- Concrete Shear/Retaining Walls: f_c = 4,000 PSI (145 PCF)
- Other items not noted: f_c = 3,000 PSI (145 PCF)

b. Reinforcement:

- Typical Reinforcement: ASTM A615, Grade 60 (f_y = 60 KSI)
- Welded Rebar: ASTM A706 (f_y = 60 KSI)
- Weld Wire Fabric (Cold Drawn Wire): ASTM A185 (f_y = 65 KSI)

c. Structural Steel:

All Structural steel to conform to the following specifications (unless noted otherwise):

- Wide-flange Sections (W, WT): ASTM A992, Grade 50
- Channels, Plates, Angles, and Miscellaneous Shapes: ASTM A36 (f_y = 36 KSI)
- Tubes (HSS): ASTM A500, Grade B (f_y = 46 KSI)
- Pipes: ASTM A53, Grade B (f_y = 35 KSI)
- BRBF Baseplates/Gusset Plates: ASTM A572, Grade 50

Structural Bolts: Bolt connections to be A325 high-strength bolts unless noted otherwise.



- Bolted connections: ASTM A325 or ASTM A490
- Seismic connections: ASTM A325-SC
- Column Anchor Bolts: ASTM F1554-36, -55, or -05
 Welding: In Conformance with AWS D1.1 and D1.4 and D1.8
- Electrode Strength: E80XX (Reinforcing Steel) E70XX (Structural Steel)

7. Gravity Systems:

a. Foundation System:

- Pending confirmation by GEOR, the building will be founded on conventional footings. The slab on grade will be 5-inch thick reinforced concrete slab with #4 reinforcing at 18" on center each way.
- The slab on grade to be under laid with 15 Mill Vapor Barrier, over compacted grade.

b. Gravity Framing System:

- The floor will have 3 1/4" lightweight concrete fill over 3" deep metal deck, i.e., the total depth is 6 1/4" deep. The roof consists of 3 1/4" light-weight concrete over 3" metal deck. The concrete composite deck will be supported by steel composite beams and steel columns. Steel columns will transition to concrete columns at the ground floor. Mechanical units will be supported on 6" normal weight concrete pads.
- In the elevated floor areas exposed to weather, a 3" normal-weight concrete topping slab will be used to protect the waterproofing, which will be installed over the structural deck.
- The two parking levels will consist of 2-way flat slabs supported by concrete columns at the interior and load bearing concrete retaining walls at the perimeters.

8. Lateral Systems:

- The lateral system will consist of Buckling-Restrained Braces Frames (BRBF) with bolted connections on each side of the 6-story tower. The braces terminate at the ground floor slab.
- The 2-way concrete slab at the ground level will distribute seismic forces to the concrete shear walls at the perimeter of the parking levels.
- The reinforced concrete filled metal deck will be designed to perform as a concrete diaphragm to distribute the seismic shear to the vertical resisting elements at the floors and roof.
- The roof at the Board Hearing room will be seismically supported at the south side by a one-story BRBF with bolted connections. The other 3 sides will be seismically restrained with braces that transfer seismic loads to the 2nd floor level of the tower.

D. BUILDING ENVELOPE

1. Exterior skin:

- Unitized Aluminum curtain wall system with high performance insulated glazing: U=0.29 SHGC=0.24 with 36" deep horizontal aluminum sun shades extensions.
- CCAPP thin shell precast concrete with 2" of rigid insulation on inside face– use white cement and light sandblast.
- Precast concrete with finish white color at mechanical screen and accent color at Hearing Room and service yard enclosure.
- Composite aluminum metal panel raut and return (dry joint).
- Shadow box behind Aluminum curtain wall system with high performance fritted insulated glazing: Viracon VNEZ-63 U=0.29 SHGC= 0.24.
- Curtain wall at single story Hearing Room element with high performance fritted insulated glazing: Viracon VNEZ-63 U=0.29 SHGC= 0.24.
- Column covers composite Aluminum metal panel raut and return (dry joint).



- h. Steel framed entry canopy clad with composite aluminum metal panel rout and return (dryjoint).

E. BUILDING INTERIORS

1. Office Areas Floors 1 through 6:

- a. Carpet: Modular tile, Interface Flooring Systems 19.69" x 19.69" with PCV free backing. Carpet and Rug Institute – Label, recycled content. Allow for change in directional / installation method. Products include C-1 'Detours GlaBac' and C-2 'CT101 Common Theme'. Provide allowance of \$30/SY installed.
- b. Resilient Flooring: (coffee and kitchen areas). LVT –Tarkett Tandus Centiva luxury vinyl plank, or equal.
- c. Resilient Flooring: (copy, storage, utility, file rooms). VCT – Armstrong Standard Excelon, or equal, 12"x12".
- d. Core Utility Rooms- Electrical and Mechanical: sealed concrete.
- e. Janitor Rooms: Sealed concrete. 48" high Marlite on wet walls. Paint: Low VOC paint finish. Allowance (3) accent paint colors.
Walls: General Walls: at general office, support spaces, utility rooms -5/8" gypsum drywall on 2 1/2" x 25 ga. Metal studs, floor underside of ceiling tile with acoustical insulation inside and sound blanket to deck above. Acoustical Walls at Conference Rooms and Privacy Rooms: Metal Studs and 5/8" gypsum drywall Full Height to deck with acoustical insulation inside.
Perimeter Walls - Furring, 25 ga. Metal studs with 5/8" gypsum drywall.
Level "4" drywall finish throughout.
- f. Office/Conference Room Glazing: Assume temp. glazing in aluminum frames at each private office and privacy room door with integral frame at +8'-0" high. Conference rooms to have full wall width of glazing in aluminum frames, integral with door. If the Alternate is selected per Exhibit D, glass at conference rooms will be 1/2" thick and butt-glazed within perimeter aluminum frames.
- g. Resilient Base: Four inch rubber, continuous roll, straight at carpet, coved at sealed concrete and resilient flooring.
- h. Acoustical Ceiling Tile and Grid: One continuous ceiling plane over floor at 9'-0" AFF, except where conference walls penetrate the ceiling. Armstrong Prelude XL 15/16" ceiling grid (recycled content). Seismic Partition attachment clips. Armstrong Ceiling Tile. General Office ceiling tile to be Ultima #1944 & 1993 24" x 48" x 7/8" beveled tegular tile for 15/16" grid, Boardroom/Multipurpose/Main Lunchroom ceiling tile to be Calla #2823 24" x 48" x 1" square tegular for 15/16" grid. If the Alternate is selected per Exhibit D, general office ceiling tile shall be Calla #2823.
- i. Upgraded Ceiling Height: One continuous ceiling plane over open office area of floor at 10'-0" AFF, except where conference walls penetrate the ceiling. One continuous ceiling plane over building core/internal office core area of floor at 9'-0" AFF, except where conference walls penetrate the ceiling.
- j. Gypsum Board Soffits: Allowance for dropped soffit over Public Counters, in Elevator Lobbies/each floor and one conference room on each floor to have stepped Gyp. Bd. Ceiling allowance.
- k. Gyp. Board Soffit: Allowance for 9' high gypsum board soffit at perimeter of building core/internal office core location.
- l. Doors: 1 3/4" solid core, 3" – 0" x 8' – 10", cherry wood veneer FSC certified. Western Integrated aluminum frame, or equal.
- m. Door Hardware: preferred hardware is Schlage and Von Duprin. For any door that requires panic devices, Von Duprin 98L x 06 series in 626 finish should be specified. For Double doors where applicable, Von Duprin removable mullions should be used. All aluminum door should have at least 6" wide stiles to accept hardware and trim. If vertical rods are needed VD9847L series are to be used. Schlage L services mortise locks with 06 trim in 626 finish should be used in other



- applications. Non-removable core (interchangeable core) cylinders are not acceptable at final installation. ASSA twin exclusive cylinders shall be used with existing County of Orange sidebar keyway and 6-pin cylinders.
 - n. Card Access: Assume card readers on all doors leading to office areas from public areas, IDF and MDF Rooms, main entry and stairwells. (Assume forty (40) proximity card reader positions for the building.) Follow County AE Guide design criteria specifications.
 - o. Coffee Bar: 2 each per floor, floors 2 thru 5. Upper and lower plastic laminate faced cabinets, flush overlay custom grade design with formaldehyde free substrate such as Sierra Pine Medite II. Solid surface countertop with undermount stainless steel bar sink at each location.
 - p. Kitchen/Breakroom: 1 each per floor, floors 2 thru 5. Upper and lower plastic laminate faced cabinets, flush overlay custom grade design with formaldehyde free substrate such as Sierra Pine Medite II. Solid surface countertop with undermount stainless steel sink and garbage disposal at each location.
 - q. Copy Areas: 2 each floor, floors 2 thru 5. Upper and lower plastic laminate faced cabinets, flush overlay Custom grade design with formaldehyde free substrate. Plastic Laminate Countertops.
 - r. Window Coverings: 3 1/2" PVC vertical blinds at building perimeter windows. If the Alternate is selected per Exhibit D, provide manual roller shades at all office area exterior windows.
 - s. Public Counters, Reception and Security Guard Desks: Ground floor millwork for Public Counters, Reception / Security Desk with solid surface top. Sheriff kiosk (18'-0" LF) shall be provided with bullet resistant glazing and frames.
2. Supervisor Floor Sixth Floor
- a. Individual Secured Supervisor Suites
 - 1. Each separate suite (Qty: 5) comparable or larger in size to current suites.
 - 2. Waiting Area with space for receptionist / administrative assistant.
 - 3. 7 – 8 Private Offices for Staff and extra work areas.
 - 4. Space for Coffee/Kitchen, Copy/Supply and Storage.
 - 5. Small Conference Room with 6 seats.
 - 6. Manual window shades at all exterior windows.
 - b. Supervisor Private Offices
 - 1. Accommodations for an eight-person conference table.
 - 2. Dedicated adjacent restroom including shower, with finishes matching building restrooms finishes.
 - 3. Dedicated adjacent coffee counter with bar sink, solid surface countertop, and undercounter refrigerator.
 - 4. Manual window Shades at all exterior windows.
 - 5. Enhanced security ingress/egress rated corridors directly from each Supervisor Private Office to secured parking and Board Hearing Room.
- Note: Secure parking (camera monitored) on level P1 with:
- o Concrete Block and full louvered security walls with (2) steel rolling access doors.
 - o One driveway on Civic Center Drive, shared with County staff only.
 - o Additional Security cameras and monitors showing activity at the driveway entrance.
- c. Monitored and escorted Public Reception Area
 - d. Large Conference Rooms 'A' and 'B' assembly construction and exit requirements including AV with adjacent Galley kitchen Area
 - e. Supervisor Secure Storage Rooms
 - f. Materials and Finishes in Supervisor Suites, Supervisor Private Offices and Large Conference Rooms to match above section 'Office Areas Floors 1 – 6'.
 - g. All partitions within the Supervisor Suites are to penetrate the ceiling grid, and be acoustically insulated, with sound boots. Demising partitions between Supervisor Suites and adjacent areas are to be full height and insulated. Partitions surrounding Supervisor Private Offices and Large Conference Rooms are to be full height and insulated. Provide Rated Exit floor corridor connecting both stairs with delayed panic tied to fire life safety system.



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3 Board Hearing Room and surrounding areas.

- a. Exterior Skin
 1. Curtain wall at single story Hearing Room element with high performance fritted insulated glazing: Viracon VNEZ-63 U=0.29 SHGC= 0.24.
 2. Accent color precast concrete walls.
 3. Composite aluminum metal panel rout and return (dry joint) at roof canopy.
 4. Column covers composite Aluminum metal panel rout and return (dry joint) at exterior canopy.
 5. Standing Seam prefinished metal roof sloping to collect at an open gutter and feature downspout architectural element.
 6. Single ply PVC adhered membrane roofing with decorative 3"-6" smooth rock ballast over filter fabric. Safety anchor tie-off posts and continuous cable from access point along north edge to westerly edge of skylight.
 7. Sloped laminated glazed skylight.
- b. Rated Secured Supervisor access from each Supervisor's office to: secured parking, Hearing Room dais, closed session meeting room with galley, fully secure 'back of house' areas and (2) Supervisor private restrooms.
- c. Feature element framed wall behind Dais to include large recessed Video Wall Matrix with structural support, wood paneling and 75" diameter custom engraved, 1" thick etched glass county seal with edge lit led recessed into wood pocket. Connection to feature wall to precast wall to be held back to provide niche for continuous LED wall wash light (3) Sided including top.
- d. The dais will be able to flexibly seat a minimum of (5) board or commission members. The dais will be shared by the Supervisors and other designated Commissioners on a coordinated schedule basis determined by the County. Integration of technology and equipment including low voltage and power chases. Assume raised dais with continuous Level 3 bullet resistant lining within the front panel. See plans for further comments
- e. Senior staff may be placed in front of or behind the dais (assuming 5 Senior staff positions), depending on final Supervisor direction. Staff access to dais will be through the Hearing Room, and not via private Supervisor access. Up to 15 additional County staff positions may be located in front of the dais. See plans for further comments.
- f. Public seating for 300 people in fixed seats. Public seating to be on a sloped floor from 0.0' to +1'-6". See plan comments. Provisions for ADA compliance will be addressed in the Hearing Room, foyer and site access to Hearing Room. Public access to the Hearing Room will be thru a secure screening area, and through doors at the rear of the room to minimize disruption of meetings. See plans for further comments.
- g. Multi-Purpose Room to be set up for meeting overflow conditions for an additional 100 people. Provide enhanced AV features. See section.
- h. Audio visual capacity for viewing by Supervisors, County Staff, the Public, the Multi-Purpose Room and Conference/Event Center (additional 250-person capacity). Live streaming capacity at all remote locations. In combination, the Hearing Room, multi-purpose room, and event center provide a total capacity for approximately 650 people to participate in any board or commission meeting through direct seating in the Hearing Room or by streaming in the multipurpose room and event center.
- i. Space in Hearing Room entry foyer for security personnel and related security screening equipment.
- j. Finishes- walls and ceiling - see Schematic plans for further comments
- k. Entry pair doors to Hearing- Upgraded sound wood doors with continuous hinges, panic, heavy duty concealed closers, coordinators, 84" high Elmes entry pulls and small view panel. See plan comments
- l. **AV Control Room** to Hearing Room- Acoustic wall construction, acoustic wallcovering inside, anti-static carpet over raised floor system, stairs, wheelchair lift and window to hearing chamber 24 -hour air system, racks for equipment, counter under window, (5) control system type



furniture with supporting electrical/low voltage infrastructure see AV section and plan comments.

- m. **Entry Lobby**- Terrazzo flooring with ramps/stairs/handrails, Motorized window shades 1%, motorized blackout shades in the angled skylight. Full height storefront glazing to create secure zone with concealed structural support to deck.
- n. **Mechanical room** walls- double construction with 1" gap and three layers gyp. Bd. each side with acoustical batt. Duct liner panels on inside of room to absorb sound.
- o. **Board Conference**- closed session to have metal stud with 2 layers gyp. Each side and acoustic batt. Room walls to have 1" acoustical wrapped paneling system with acoustical tackable substrate. Doors to have acoustic gasketing with drop seals/thresholds. Upgraded Ceiling tile and lighting. Audio Visual see below. Wood millwork to include storage, sink, refrigerator and dishwasher.
- p. Single Restroom walls to have same wall type as Board Conf. Terrazzo Flooring, 12x24 ceramic tile all walls full height.
- q. Hearing Room Audiovisual Systems:
 - System Description Summary: The audiovisual systems will support meetings, presentations, and other events for the Board of Supervisors, Planning Commission, and any permitted outside user groups. Events for the Board of Supervisors will be broadcast via cable television and online streaming services via GovTV. Some events will require videoconferencing and audio conferencing.
 - Visual displays for the public: Depending on final architectural layout, assume (1) large video matrix wall display (min. 9' x 16') towards the front of the space for public viewing.
 - Visual displays for the dais: Fifteen (15) touch screen / voting presentation displays.
 - Visual displays for the lobby: Assume two (2) x 50" flat panel displays
 - On-Air recording light for the lobby
 - Broadcast/streaming: Six (6) Pan-Tilt-Zoom cameras for monitoring and video production
 - Ceiling-recessed Map Camera above podium
 - Portable Document Camera
 - Podium Touch Panel – Countdown Timer
 - Thirty (30) microphones with 2-color LED status lights at dais, staff, and podium positions.
 - Wireless microphone system – eight (8) combination lavalier body packs / handhelds
 - Assume a 70V ceiling distributed loudspeaker system optimized for speech intelligibility throughout the Hearing Room, foyer, and lobby.
 - Portable audio press patch panel
 - FM-based ADA-compliant Hearing Assistance System
 - Assume four (4) audio / video input plates within recessed cubby with cable retractors
- r. Hearing Room Control Room
 - Assume up to a 300 sf Control Room to accommodate all audiovisual and broadcast equipment and associated operators.
 - Provide comprehensive technical furniture optimized for ergonomic operation of all audiovisual and broadcast equipment. Assume provisions for five (5) operators.
 - One (1) 40-channel digital mixing console with integrated digital signal processing with high-quality automatic microphone submixing capabilities (assume live operator for all events).
 - Video conferencing codec

- Six (6) camera preview monitors
 - Eight (8) operator display monitors
 - Operator Control System Touch Panel – assume new 15"
 - Audiovisual Control System with custom programmed Electronic Voting System with integrations for Novus E-Agenda system and technical lighting system presets.
 - Blu-Ray / DVD
 - HDTV Tuner; Radio Tuner
 - Digital audio recording system
 - Rack-mounted UPS with enough battery capacity to sustain generator ramp up time
- s. Hearing Room Lighting System:
- System description summary: the lighting system will provide ambient illumination over the entire room with two zones of coverage for the dais/staff area, and for the seated audience; in addition to the ambient illumination, portrait key-fill-back lighting will be provided for the dais positions, and the presenter lectern position
 - Ambient illuminance will provide a minimum of 30 *fc* horizontal at a reference plane 30" above finished floor for both lighting zones
 - Portrait lighting at the dais and the presenter lectern will provide a minimum of 50 *fc* vertical on subjects for optimum video capture
 - Portrait lighting will use high crossing key lights to avoid glare for dais positions
 - Dais illumination will be planned to minimize ambient light at the projection screens for best practice contrast ratio on projected images
 - Typical video recording/broadcast lighting color temperature of 3200K will be the standard for camera white balance; daylight from skylights, clerestory, and other fenestrations will be controlled to maintain 3200K white balance target
 - All luminaires will employ Light Emitting Diode (LED) type light sources for maximum efficacy, color control, and to limit maintenance requirements
 - A *network-driver* type dimming and control system will be used to power and control all luminaires; this system will deliver 120V undimmed electrical service to each luminaire with output modulated by a digital control signal
 - Lighting controls will include a touchscreen at the Clerk's position for recall of pre-recorded lighting presets, entry stations at all points of entry, and a master control station in the control room with a lighting control console capable of system configuration, grouping, and preset programming functions
 - Lighting presets will also be accessible by audiovisual control devices via touchscreen selection
- t. Board Conference Room
- System Description Summary: The audiovisual systems will support Closed Session Board of Supervisors meetings, presentations, and other events for any permitted outside user groups. Some events will require videoconferencing and audio conferencing.
 - Visual Display: 75" flat panel display
 - Two (2) camera Video Conferencing system with Codec hardware
 - Digital tabletop microphone array system
 - Distributed ceiling loudspeaker system
 - Touch panel control system
 - Touch panel room scheduling panel - wall-mounted outside door with in-use light

- u. Multipurpose Room
- System Description Summary: The audiovisual systems will support meetings, presentations, and other events for any permitted outside user groups. Overflow audiovisual feeds from the Hearing Room system are required.
 - Visual Display: front projection system
 - Distributed ceiling loudspeaker system
 - Portable Lectern microphone
 - Wireless microphone system - four (4) combination lavalier body packs / handhelds
 - Audio Digital Signal Processor with automatic microphone mixing
 - FM-based ADA-compliant Hearing Assistance System
 - Touch panel control system
- v. Hearing room to have its own separate air-handling unit (screened) with direct and displacement ventilation distribution in Hearing Room and foyer.
- w. Exterior form to incorporate materials of the tower with the inclusion of a roof form. As with the One-Stop at Building 16, the Hearing Room form to be pulled away from the second story glazing of the tower.
- 4 Toilet Rooms:
- a. Floors (Floors 2 – 6): DalTile 12" x 24" matte porcelain tile;
 - b. Floors (First Floor): Thin set 3/8" epoxy terrazzo poured flooring;
 - c. Walls: DalTile 12" x 24" matte porcelain tile;
 - d. General Wall Paint: eggshell finish. 5/8" water resistant gypsum drywall on 3-5/8" studs to structure above, 3-1/2" acoustic batt insulation.
 - e. Ceiling: Painted smooth finish drywall,
 - f. Toilet Compartments: Floor mounted, overhead braced, Bobrick Sierra Series (or equal) - recycled content
 - g. Lavatories: Solid surface lavatory top and splash with integral solid surface sink. Polished Chrome faucets with hands-free operation and automated soap dispenser.
 - h. Mirrors: Vision quality mirrors, one (1) above lavatory, full width and full height to ceiling; and one full length mirror in each rest room.
 - i. Accessories: Bobrick (or equal) stainless steel, recessed and semi-recessed automated hand dryers, Combination with trash receptacle.
- 5 Elevator Cabs:
- a. Passenger Elevator: Machine room-less elevator as follows:
KONE – MonoSpace
Mitsubishi – Diamond Trac
Otis – Gen2 Overslung
ThyssenKrupp – Synergy 300E
 - b. Control Systems as follows:
KONE – Polaris
Mitsubishi – Sigma AI-2200C DOAS-S
Otis – Compass
ThyssenKrup – TAC32T W/Full Destination Dispatch
 - c. Elevators are included in the Building as follows:
 - Five 8-stop, 3500 lb., 350 fpm, (one from P1 to roof level; four from P2 to Level 6)

- One Freight 8-stop 4500 lb, 350 fpm, front-rear opening (from P2 to Level 6).
 - One additional elevator from P2 to roof level as part of the Supervisor Enhanced Security element.
 - Destination dispatch controls
 - d. Cab Height: 9'-0" with 8'-6" high polished stainless-steel ceiling with manufacturer's standard nine light down lighting. Cab returns, rails base and doors: Brushed stainless steel. Entrance: brushed stainless steel; 4'-0" wide x 9'-0" high frame with 7'-0" high center opening doors and 2'-0" high stainless-steel transom. Cab Floor: porcelain tile. Cab Walls: (3) walls to be laminated panels, add hooks for blankets at service elevator. Card reader function on all (6) elevators for security access. One elevator extends to the roof, and is accessible only to Supervisors, with no access from the main elevator lobby on any floor.
- 6 Architectural:
- a. Roofing: PVC single ply roof over concrete deck. "Cool Roof".
 - b. Exterior Doors: 3' -0" x 9' - 0" per leaf typical. Storefront glazed with panic hardware and card reader. Factory Finish
 - c. Insulation:
 - R-30 / 6" rigid exterior insulation under roof at roof deck.
 - R-19 batt insulation with additional R-5 / 1" rigid exterior insulation at all perimeter building walls. (optional)
 - d. Floor-to-Floor Heights: Floor-to-floor dimension:
 - Typical upper floor: 14'-0"
 - Ground floor: 15'-0"
 - First level of Parking: 13'-0" for ADA clearance and plaza undulations
 - Lower level of Parking: 10'-0"
 - e. Ceiling Heights: Typical ceiling height:
 - 13' - 15' at ground floor
 - 9'-0" drywall ceiling at core with 10'-0" lay-in ceiling beyond the core
 - Higher ceiling planned for the Board Hearing Room
 - f. Exit Stairways Treads and Landings: Concrete filled steel pans and risers with painted finish.
 - g. Handrails: Maximum 1 1/2" diameter metal pipe railing. Factory Finish.
- 7 Lobby (Ground thru Sixth):
- a. Floor/Base Materials: Main Lobby and First floor corridor: Thin set 3/8" epoxy terrazzo poured flooring, formula 9539-2, 10233-1, 9577-1.. Second thru Sixth floors: elevator lobby only- DalTile 12" x 24" matte porcelain tile with 6" high tile base.
 - b. Walls: Full Height Gypsum drywall over 3-5/8" x 25ga. Acoustic Insulation Metal studs. Heavier gauge studs as required by specs.
 - c. Walls to have laminate paneling with fry reglet stainless steel reveals.
 - d. Ceiling: Gypsum drywall with light cove and metal louvers painted finish.
 - e. Lobby Enclosure Doors- Total Door Systems held open with magnetic hold opens tied to Fire Life Safety System

F. ELECTRICAL SYSTEMS

1. County of Orange Architecture-Engineering Guide shall be part of this basis of design by reference.
2. Site Utilities:
 - a. The existing building 16 switchgear "SSG" rated at 1200A, 5KV was constructed at its utility yard.

- The SSG serves the existing building 16, the new building 14, and the Civic Center Parking Garage. The SSG will be left with one spare breaker bucket at the completion of this project.
- b. All communications services will come via Building 16. Specific requirements will be confirmed upon completion of design of Building 16 services.
 - c. From a nearby County of Orange communication manhole at the south side of the site, provide four (4) 4" conduits stubbed to the 1st floor Office Building MDF.
 - d. The Office Building main electrical service will have a double ended main switch board, each side rated 3000 amps, at 277/480-volt, 3-phase, 4 wire. Each switchboard will serve one side of the building or "core" with a feeder bus riser routed from the switchboard to the roof through stacked electric rooms. All major HVAC equipment will be fed directly from the sixth floor distribution boards. All elevator equipment will be fed directly from the sixth floor distribution boards as well.
3. Power consumption digital metering (peak kW, kVA, kVAR, kWh, etc.) shall be provided and connected to the building BMS system. All loads will be disaggregated per the latest Title 24 code and metered. Building load information will be reported back to the CUF. Primary utility metering will comply with the CUF metering specifications.
 4. Photovoltaic Power System:
 - a. The building design will include infrastructure for a future roof mounted PV system inclusive of conduit pathway, space for future equipment and meter section at the main switchboard for building connection. This is compliant with Title 24, however a PV system is not included in this design.
 5. Emergency Generator:
 - a. Provide a diesel generator for emergency power for 24 hours for designated emergency life safety loads, and standby loads including fire pump. The generator will be sized to include egress path lighting, (2) elevators (one public and one for enhanced security) with soft start and car lighting, fire alarm/fire detection system, Hearing Room Control Room equipment, IDF rooms, (1) fire pump with VFD, (1) fire jockey pump, garage exhaust fans, smoke control systems, and stairwell ventilation. The generator will be provided with a subbase fuel tank, output circuit breakers and a full-sized unit mounted load bank.
 - b. Approximate size of this generator is 450KW, 480Y/277V, 3-phase, 4-wire.
 - c. The generator will be located in or near the service yard, at the building exterior in a weatherproof and sound attenuating enclosure. A high efficiency diesel particulate filter will be provided in consideration of the proximity of the public plaza.
 6. The office building will be provided with two (2) separate automatic transfer switches - ATS- one for emergency loads (300 Amp), and one for standby loads (300 Amp).
 7. Interior Lighting:
 - a. Lighting levels will conform to the minimum recommendations of the Illuminating Engineering Society of North America and in full compliance with Title 24 2016 EnergyCode
 - b. All lighting fixtures shall be specification grade in quality and could include fluorescent, LED, Metal Halide or a combination of these.
 - c. All areas to have the same lighting design concepts except as noted below. General Lighting shall be provided by fixtures with a dimmable lamp source. Lobbies and conference rooms shall have accent down lights and recessed T-bar ceiling linear wall wash on one wall (Focal Point Lighting Focus 4). Equipment and storage rooms will be illuminated with recessed linear strip fixtures. Restrooms shall have downlights and recessed gyp. board linear wall wash light on one tile wall. LED lamp technology will be used throughout because of superior performance, ease of control and longevity of the lamp life, up to 10 years.
 8. Emergency / Exit Lighting:
 - a. Various fixtures throughout the facility will be connected to the generator system to provide the required egress illumination.
 - b. Internally illuminated exit signs will be provided at egress locations as directed by the space

planner. Exit lighting will be connected to the generator system for emergency operation. Exit signs shall be edge lit LED signs as manufactured by McPhilben or equal by Duallite or Sure Lites.

9. Site / Exterior / Garage Lighting:

- a. Lighting levels will conform to the minimum recommendations of the Illuminating Engineering Society of North America, Title 24, – as well as the City of Santa Ana Security Code.
- b. Decorative pole mounted and bollard mounted LED, fluorescent, or HID fixtures shall be provided to illuminate the plaza driveway as well as the plaza. Site landscape/hardscape lighting shall be provided by various fixture types - both above grade and flush in grade.
- c. The parking garage interior will be illuminated to be code compliant.
- d. A number of different types of lamps for a given application will be thoroughly reviewed in the design process. The specification of lamps will be kept to a minimum of different types for the purposes of limiting inventory.

10. Lighting Control System:

- a. A low voltage digital integrated lighting control system will be provided throughout that will interface with fixtures for on/off and dimming control. Lighting controls will interface with the building BMS system and will be Lonworks compliant. Lighting controls shall be code compliant. The majority of lighting fixtures will be controlled by the use of occupancy sensors and daylight sensors for automatic dimming. Open areas will be controlled by ceiling mounted occupancy sensors, and private offices and smaller rooms will be controlled by wall-mounted occupancy sensors with manual switching. Sensors shall be dual technology type incorporating passive infrared and microphonics.
- b. Daylight dimming controls shall be provided in all spaces that have openings to natural daylighting.
- c. All interior building lighting not controlled by occupancy sensors will be controlled by a centralized low voltage lighting control system incorporating relay switching. The system will be capable of manual override, time event scheduling, holiday and special event scheduling and occupant warning. Branch circuit home runs to lighting fixtures will be run through lighting relays and controlled by low voltage switches at locations to be determined.
- d. Exterior Lighting Controls: All exterior lighting shall be controlled by the same digital integrated lighting control system via lighting control panel network or site energy management system. Local exterior pole mounted occupancy sensors will be provided to control pole lights under 24 feet in height. Exterior lighting will be controlled by an astronomical clock and turned on at sunset and off at a programed time, or at sunset.

11. Office Building Power and Communication Rooms:

- a. Office Building Main Electrical Room – Parking level:
 - Double ended switchboard, each side rated 3,000 amp 277/480V, 3P, 4W main electrical switchgear with a TVSS system. Each switchboard will serve one side or “core” of the building, with a vertical or bus feeder system. 480V panels, transformers and equipment can tap directly to the bus within each electric room.
 - 480V power and lighting panels for service to floor
 - Distribution transformers for conversion of 480V power to utilization voltage 120/208V for service to floor.
 - Transformers to feed panels or distribution boards, as needed.
 - Emergency Automatic Transfer Switches for emergency power and standby power. Emergency power distribution board serving emergency and standby power to loads throughout the building.
 - Emergency power lighting panels (480Y/277V) for garage levels, and site
 - Lighting panels and lighting control (relay) panels for parking garage and site lighting.
 - All main distribution boards and main switchboard will be provided with TVSS protection.

b. Office Building Stacked Electrical Rooms – Floors One through Six:

- Each building core will have stacked electric rooms, served by one end of the double ended switchgear. A feeder bus will be routed vertically up through the electric rooms
 - Each vertical core distribution system will deliver approximately 150KVA of power to each floor half. This power will serve lighting, equipment and receptacle loads and will be comprised of 480V and 208V panels, transformers and lighting control panels.
 - Each floor electric room will be provided with 25% spare power capacity and panel space for expansion as needed.
- c. Each floor will be provided with the following emergency systems:
- 100 amp 277/480V, 3P, 4W emergency lighting panel.
 - 30 kVA 480V to 120/208V, 3P, 4W emergency transformer if needed.
 - 60 amp 120/208V, 3P, 4W emergency power panels if needed.
- d. Main MDF/MPOE/Telecom Room – First Floor. The requirements below are to be taken as placeholders for budgeting, and will be updated during the Schematic Design phase in coordination with OCIT:
- 4’ x 8’ backboards on all walls
 - System ground connection from main service grounding system.
 - One (1) Telecommunications main grounding busbar (TMGB) in MPOE room.
 - One (1) Telecommunications grounding busbar (TGB) in MDF and all IDF rooms.
 - Four (4) dedicated 20 amp 120V receptacles on the backboard wall.
 - Eight (8) dedicated 20 amp 120V cable tray mounted receptacles for rack / cabinet power.
 - Four (4) dedicated 20 amp 208V single phase cable tray mounted receptacles for rack / cabinet power.
 - Two (2) convenience receptacles on each wall. The circuiting will be such that no more than two (2) receptacles will be on any one circuit.
 - One (1) telephone / data outlet near the door for a wall phone.
 - Eight (8) 4” C.O. to MPOE
 - Four (4) 4” C.O. to the first floor IDF room.
 - Four (4) 4” C.O. sleeves out each end of the room into the floors accessible ceiling space.
 - Connection to the dedicated HVAC units.
- e. Stacked IDF Rooms – Floors One through Six:
- Two (2) 4’ x 8’ backboards.
 - System ground connection.
 - All power to each room will be backed up by the emergency generator.
 - Four (4) dedicated 20 amp 120V quadplex receptacles on the backboard wall.
 - Eight (8) dedicated 20 amp 120V cable tray mounted receptacles for rack / cabinet power.
 - Four (4) dedicated 20 amp 208V single phase cable tray mounted receptacles for rack / cabinet power.
 - Two (2) convenience receptacles on each wall. The circuiting will be such that no more than two (2) receptacles will be on any one circuit.
 - One (1) telephone / data outlet near the door for a wall phone.
 - Four (4) 4” C.O. sleeves out each end of the room into the floors accessible ceiling space.
 - Four (4) 4” C.O. sleeves to the IDF on the floor above.
 - Connection to the dedicated HVAC unit.
- f. Miscellaneous Power:
- Provide power and control connections as required to all mechanical and plumbing equipment - see mechanical / plumbing outline specifications for more information.
- g. Open Office Areas:
- All furniture systems will be assumed to be a four (4) circuit / eight (8) wire + ground configuration. All furniture system workstations are assumed to have personal computers only and will be connected at a ratio of eight (8) workstations per four (4) circuit / eight (8) wire

homerun. Assume (1) circuit to be controlled outlet per Title 24.

- One power outlet, 20 amp, 115V duplex to be within two feet of each telephone outlet throughout the facility.
 - Each workstation location shall have a separate dedicated quadplex receptacle and duplex data outlet.
 - All printers, faxes and copiers shall be provided with the following:
 - One (1) dedicated 20 amp 120V receptacle.
 - One (1) telephone / data outlet, both CAT6A cable.
 - All wall mounted communication outlets will be provided with 1" conduit, stubbed into the accessible ceiling space, 4S/DP box and a single gang mud ring in the wall.
 - All wall mounted furniture system communication feeds will be provided with 1 1/4" conduit, 4S/DP box and a double-gang mud ring in the wall. Provide a 1 1/4" conduit for every four (4) workstations.
 - Assume 20% power/data feeds to be floor cores. 80% to be wall feeds.
 - Wireless access point coverage throughout.
- h. Private Offices:
- Each office will be equipped with two (2) convenience receptacles, and two (2) data/(1) telephones outlets on opposing walls. The circuiting will be such that no more than six (6) receptacles will be on any one circuit. Each workstation location shall have a separate dedicated quadplex receptacle. A switched receptacle will be provided within 6' or each unswitched receptacle per the latest T24 requirements. Switching control will be through the lighting occupancy sensor.
 - Wireless access point coverage throughout.
- i. Conference Rooms:
- Conference Rooms will be equipped with one (1) double duplex isolated ground receptacle, two (2) convenience receptacles, two (2) 2-port data outlets and one (1) flush in floor box combination power and AV/phone/data. The circuiting will be such that no more than six (6) receptacles will be on any one circuit. A switched receptacle will be provided within 6' or each unswitched receptacle per the latest T24 requirements. Switching control will be through the lighting occupancy sensor.
 - Wireless access point coverage throughout.
 - In addition, provide power and communications as required for any teleconferencing or audiovisual equipment.
- j. Miscellaneous Power:
- All computer circuits shall have a maximum of three (3) computer outlets, shall be identified as dedicated, and be wired with an isolated ground.
 - Provide power and control connections as required to all mechanical and plumbing equipment - see mechanical / plumbing outline specifications for more information.
12. Life-Safety:
- a. Provide a new Fire Alarm System conforming to the requirements of the California Building Code, NFPA 72, California Fire Code, County and City standards which include a fully automatic fire alarm system with smoke detectors, heat detectors, pull stations, waterflow switches, tamper switches, duct smoke detectors, and approved fire alarm audible horns and visual strobes, connected to a centralized system. System shall be provided with voice evacuation.
13. Integrated Physical Security Systems:
- Physical security systems shall include site perimeter fencing, Access Control (readers and panic/duress), CCTV/Video Surveillance, Intrusion Alarm and Intercom. The systems shall be extensions of existing County systems (Lenel access control, Genetec video and Stentofon Zentinel intercom). The systems shall integrate using software plugins/licenses to provide user

manageability at central monitoring stations.

- a. The entire site shall be enclosed within either a building wall or a tube steel picket fence.
- b. Building access control/security system shall comply with the County of Orange A&E Guide and County of Orange OC Public Works Access Control System Specifications Revised May 2018
- c. The Building 14 System will utilize the County's current Lenel OnGuard Pro license agreement.
- d. Building access control/security system design shall be by Developer's Consultant, subject to approval by OC Public Works physical security team. Placement of card readers, intrusion detection sensors and peripheral equipment shall be included. Developer will provide all infrastructure in support of the system including conduit, device boxes, cable trays, and power connections.
- e. Access Control System shall consist of smart card readers, smart cards and/or smart key fobs, request to exit sensors, door contacts, electronic hinges, and electronic door locks as required. Access Control System to integrate with County enterprise visitor management software and onsite programmable badge generation with time and date expirations. Smart cards and readers at doors or other entry/exit points will provide access control. These areas will be equipped with release systems consisting of control panel, door contact switches with related powered hinged and door release hardware provided by other disciplines and the associated cabling. CCTV System (Genetec) integration with access control will provide central event management, monitoring and reporting for CCTV and access control from the Genetec system. Card readers (and associated electric lock hardware, REX devices, door contacts, automatic door openers, parking gates and electric roll-up doors) will be placed as follows:
- All exterior doors shall have electric locks tied into the Lenel System for lock-down capabilities. 90% of these will also have a card reader.
 - Loading dock roll up doors.
 - Parking lot entrance/exit gates.
 - Parking lot roll up gate (may be controlled with the same card reader as the gates).
 - All stairwell doors at each level (to prevent unauthorized access from stairwell).
 - Inter-department partition doors (consider 2 departments per floor).
 - Doors or hatches to roof access.
 - IDF and MDF room doors.
 - Trash bin door (incoming and outgoing).
 - Loading dock office door.
 - Public restrooms doors.
 - Selected storage room doors.
 - (2) card readers at each elevator lobby at all levels including parking structure. Card reader shall interface with elevator destination dispatch system.
 - Elevators will be controlled by a Destination Dispatch System. In the Destination Dispatch integration, a cardholder badges at a reader near or attached to a DOP and is allowed to then select from the floors they have been given access to in OnGuard using standard Access Levels.
- f. Special access to Hearing Room, Parking Structure and sixth floor Supervisors' offices.
- A segregated parking area will be protected by motorized gates opened by secure RF remote ("clicker"). Remote will be required to open gate when leaving for additional security in addition to ground loop.
 - A private elevator will provide access to the secure back of house area, hearing room Dais and Supervisor's office suite on 6th floor. The elevator will be controlled by the Destination Dispatch and card reader.
 - A secured corridor on the 1st floor will allow access to private meeting room, private restrooms,

- private elevator, public lobby, and building exit. This level of security will require as many as (6) additional card readers on the 1st floor.
 - Public access to the Hearing Room will be protected by card reader and manned metal detector.
 - Supervisors' offices and reception area doors will have card readers.
 - g. The Building 16 enterprise Stentofon intercom system shall extend to manage the Building 14 intercom stations. Stentofon video intercom stations shall be used to display as video cameras in the Genetec video monitoring stations. Intercoms with lock relays shall enable Security or other County Personnel to remotely permit access to the building. Intercom Masters will be placed at central security station and loading dock manager's office. Activation of an intercom shall cause the nearest camera (associated with the intercom to record at 30 frames per second (fps) and prominently display on the video monitor at the intercom master station (note there are more than one intercom master stations). Accelerated frame rate shall continue until motion is no longer detected by the camera. Intercoms will be located at loading dock roll up doors, delivery doors, and mail room access. Additional integration of the intercom with the Lenel OnGuard system shall include:
 - View and receive events from the intercom system into Alarm Monitoring.
 - Setup calls and cancel them from the status tree and OnGuard map icons.
 - Add intercom components to graphic maps in OnGuard.
 - View change of state when station is in use.
 - Click on an icon in OnGuard Maps to answer an incoming call.
 - Through Linkage Server Linkage Server, it is also possible to trigger an action in the Intercom System on an event in another system. An example could be a voice message to an area when a video analytics 'loitering' event has been detected.
 - Emergency notification on event — an alarm generated in OnGuard can initiate notification to the Intercom system in an emergency
 - h. Multi-zone Intrusion Alarm System shall consist of only glass break detectors and door contacts. Integration to the access control system is required using compatible Bosch intrusion panels. Keypads (locations TBD) will be used to arm and disarm the system.
 - i. Panic/duress buttons and their associated action devices will be alarm points on the access control system. The panic buttons will send an emergency notification to the security desk and other locations, activate video recording (30FPS) of the nearest camera and display video to local and remote monitoring stations. In addition, depending on location, the button will also activate a local audible alarm. Panic buttons will be located in Supervisors suites, Supervisors receptionist area, behind Hearing Room Dias and recorder desks, at any public facing reception desk, and at main entrance reception area.
14. Closed Circuit TV / Surveillance System:
- a. County's existing Genetec Video Management System license will be extended to building 14 and shall integrate with the Lenel access control system Genetec monitoring stations shall use Plan Manager interactive mapping functions to manage cameras, Lenel entities (readers, panic inputs, output devices and alarms) and Stentafone video intercom stations.
 - b. Closed circuit TV and surveillance system design shall be by Developer's Consultant, subject to approval by OC Public Works physical security team. Placement of cameras and peripheral equipment shall be directed by OC Public Works physical security team. Developer will provide all infrastructure in support of the system including conduit, device boxes, cable trays, and power connections.
 - c. All cameras will be required to be recorded and stored on servers for 90 days. Provide an alternate bid to increase storage to 1 year for all cameras.

- CCTV cameras will be located throughout the building to monitor these areas/items.
 - Inside and outside all exterior doors.
 - (2) cameras at each elevator lobby on all levels including parking structure.
 - All stairway doors from outside stairwell.
 - Public restroom entrances.
 - Loading dock, mail room, and trash bin area (8 cameras).
 - Bike storage area (2 cameras).
 - Building exterior (10 cameras).
 - Elevator cabs (6 cameras).
 - Special CCTV monitoring of Hearing Room, Parking Structure, and sixth floor Supervisors' offices.
 - Supervisors private parking area and elevator (3 cameras).
 - Hearing Room public lobby and hallway (2 cameras).
 - Hearing Room (5 cameras).
 - 1st floor secure corridor and private elevator (7 cameras).
 - Supervisors' 6th floor reception area and elevator lobby (7 cameras).

G. AUDIOVISUAL SYSTEMS

1. Conference Rooms, two per floor: The audiovisual system will include one large wall mounted LCD TV/Display. Media sources will be from Blu-Ray universal media disk player, iPod dock and a wall mounted laptop connection panel. Control systems will include a wall mounted keypad. Audiovisual equipment will be housed in an equipment rack located in designated area of millwork.

H. SOUND SYSTEMS

1. Sound systems shall comply with the County of Orange A&E Guide.
2. Differences or variations to the A&E guide are as follows:
 - a. Sound equipment will be placed in associated room AV cabinet providing sound and audio equipment for that room. Controls of the sound system will be via wall controls and/or software and can be accessed from any permitted computer station.
 - b. Building sound masking system will be provided as an add alternate.

I. TELEPHONE SYSTEMS

1. Telephone systems shall comply with the County of Orange A&E Guide.
2. Differences or variations to the A&E guide are as follows:
 - a. Telephone service will come via Building 16, and not from new utility services.
 - b. Backbone feeder shall be 25-pair copper from MDF to each IDF Room and 100 pair from MDF to MPOE.
 - c. OCIT will install all telephone equipment.

J. DATA SYSTEMS INFRASTRUCTURE

1. Data systems shall comply with the County of Orange A&E Guide.
2. Differences or variations to the A&E guide are as follows:
 - a. OCIT will be responsible for installation of all network equipment and connecting cables. This will include wireless access points (WAPs).
 - b. OCIT will confirm equipment type for the purpose of design/selecting appropriate fiber optic

cabling.

- c. Recommend CAT6A for all wireless access points.
- d. Recommend OM4 – 50 micron fiber optic backbone cabling to each IDF room(s).
- e. OCIT will install all IT equipment.
- f. All overhead cabling shall be installed in 18” and 12” cable tray above finished ceilings. Cable tray shall be the main horizontal distribution for all low voltage systems and J-hooks shall be an accessory support system to outlet locations. EMT conduits shall not be homerun from IDF to outlet locations. Conduit will be used to connect wall and floor boxes with accessible ceiling spaces where conduit will be day-lighted. Bushings will be provided on ends of all conduits.

K. HEATING, VENTILATING AND AIR CONDITIONING

1. Design Criteria / Design Calculation Guidelines:

- a. Outdoor Design Conditions – Santa Ana, Orange County, CA
Summer: 91°F dry bulb / 65°F wet bulb – Title-24 0.5%
Winter: 35°F dry bulb – Title-24 0.2%
- b. Indoor Design Conditions, Office Areas:
People: 250 gross square feet per person
Lights: 0.80 watts/square foot
Equipment: 1.00 watts/square foot
Temperature: Summer – 76°F (± 2°F)
Winter – 70°F (± 2°F)
Humidity: No direct humidity control required.
Ventilation: 30% greater than required by CMC (ASHRAE 62.1)
- c. Indoor Design Conditions, Main Entry Lobby:
People: 100 gross square feet per person
Lights: 1.20 watts/square foot
Equipment: 0.50 watts/square foot
Temperature: Summer – 76°F (± 2°F)
Winter – 70°F (± 2°F)
Humidity: No direct humidity control required.
Ventilation: 30% greater than required by CMC (ASHRAE 62.1)
- d. Indoor Design Conditions, Restrooms:
Lights: 0.60 watts/square foot
Exhaust: Greater of 100 cfm/fixture or 10 air changes per hour
Makeup Air: 100% of exhaust air, make-up from adjacent spaces.
- e. Indoor Design Conditions, Board Hearing Room:
People: 20 gross square feet per person
Lights: 1.50 watts/square foot
Equipment: 1.0 watts/square foot
Temperature: Summer – 76°F (± 2°F)
Winter – 70°F (± 2°F)
Humidity: No direct humidity control required.
- f. Ventilation: 30% greater than required by CMC (ASHRAE 62.1) Zoning:
Each VAV zones will be dedicated to a unique building orientation, floor level, and interior use on average, there will be one VAV zone per 1250 sf. Conference rooms, corner offices, and unique uses will have dedicated VAV zones. Up to five perimeter offices will be served by a single, shared VAV zone.

2. Energy Conservation Calculations:

- a. The HVAC design shall utilize the above design criteria as a basis and shall also comply with the 2016 State of California Energy Code California Code of Regulations (CCR), Title 24, and Building Standards. The performance based “whole building” model compliance approach will

be used.

3. Building 14 HVAC Systems:

Rooftop AHUs

- a. The building air conditioning system shall consist of a chilled water, rooftop variable air volume (VAV) air handling unit (AHU) system. Each AHU will provide ventilation and cooling to the space at 55°F through an overhead duct system.
- b. Air Handling Systems:
 - The main building will include (4) total custom VAV chilled water AHU located on the roof.
 - The ground level Board Hearing Room will be served by an additional custom VAV chilled water AHU located in a mechanical room adjacent to the hearing room. The unit shall have a capacity of 50 tons cooling and 20,000 CFM of airflow capacity.
 - Each AHU shall include air-side economizer an outdoor airflow monitoring station.
 - Each unit shall be constructed of insulated double wall heavy gauge steel and include an airfoil supply fan with internal vibration isolation, an airflow return fan with internal vibration isolation, a six-row chilled water coil, an insulated stainless steel condensate pan, MERV-8 prefilters, MERV- 13 final filters, and a factory mounted and wired variable frequency drives (VFDs).
 - The air velocity across the chilled water coil and filters shall not exceed 500 feet per minute.
 - Each main building unit shall have approximately 150 tons of cooling capacity and 50,000 CFM of airflow capacity.
 - EnergyLabs, or similar.

c. Air Distribution:

- The HVAC air distribution shall be via medium pressure, overhead main ductwork on each floor.
 - Sound traps shall be provided at the supply air and return air connection to each air handling unit. Polyester duct liner to be used for outdoor ductwork insulation.
 - All supply ductwork will be insulated per Title-24 requirements with fiberglass ductwrap.
 - Return air shall be via open plenum return with a main return air connection at each air handling unit room. Return air sound boots shall be provided at enclosed, private offices and conference rooms.
 - Local zone control is provided by VAV terminal air units. All VAV units shall be provided with 1-row hot water heating coils. Price, Titus, or Krueger.
 - Insulated, acoustical flexible duct shall be provided for the final five foot supply air connection to each supply air diffuser.
 - Supply air diffusers and return air grilles will be linear slots in hard lid ceilings with square ceiling diffusers and grilles in accessible ceiling tile systems.
 - The Board Hearing Room distribution will be provided by large displacement diffusers located at the perimeter of the room. Return air will be provided by return boots that dump the air into the adjacent corridor. Rooftop ventilators will be placed on the roof adjacent to the Board Hearing room to provide relief air for the return plenum.
 - The Board Hearing Room Lobby will have linear slot diffusers around the perimeter of the space.
 - The rooftop enhanced security corridors will be served by (2) exterior VAV terminal air units. Ductwork will run exterior to the corridor and sidewall diffusers will serve the space. Rooftop ventilators will be included to provide relief air for the space.
- ###### d. Connection to Orange County Central Utility Facility:
- The building will connect to the Orange County Central Utility Facility for chilled water and steam.
 - Underground chilled water and steam piping infrastructure is located on the site of the proposed building.
 - New 8” chilled water piping will be connected from the existing underground County piping to a mechanical pump room located in the first floor of the building and then piped to the

mechanical rooms on each floor, with branch chilled water lines to 24/7 cooling zones on each floor.

- Chilled water piping will be copper up to 2" NPS piping and schedule 40 steel for piping sizes above 2" NPS. All piping will be insulated with preformed fiberglass pipe insulation per Title-24 requirements.
 - Lead and stand-by tertiary chilled water pumps will be approximately 1300 gpm and include variable speed drives. One of the chilled water pumps to be placed on emergency power to provide emergency cooling to IDF rooms.
 - Heating water for the building will be provided via a 4" steam supply main to a steam to hot water heat exchanger and lead and standby hot water pumps located in the Parking P2 pump room. A 2" pumped condensate return line will return steam condensate back to the central plant.
 - A hot water piping loop will be located on each floor serving perimeter zone VAV terminal units.
 - Hot water piping will be copper up to 2" NPS piping and schedule 40 steel for piping sizes above 2" NPS. All piping will be insulated with preformed fiberglass pipe insulation per Title-24 requirements.
 - Lead and stand-by tertiary hot water pumps will be approximately 400 gpm and include variable speed drives.
- e. Dedicated Cooling Systems:
- IDF rooms on each floor, electrical rooms on each floor, elevator machine rooms, and other areas requiring 24/7 cooling will be provided with ceiling mounted chilled water fan coil units, approximately 3-tons each. All IDF fan coil fans will be placed on emergency power, chilled water valves will fail open in the event of emergency.
 - The Hearing Room Control room will require 24/7 cooling for the AV and Broadcast equipment. All IDF fan coil fans will be placed on emergency power, chilled water valves will fail open in the event of emergency.
 - The main electrical room located in the parking garage will include five chilled water ceiling mounted cassette cooling units, approximately 3-tons each.
- f. General Exhaust System:
- Each restroom and janitor's closet, along with any ground level locker rooms, will be exhausted via central restroom exhaust systems ducted via an exhaust riser to a rooftop centrifugal exhaust fan, approximately 13,000 cfm total. Greenheck or similar.
 - Each breakroom will be exhausted and connected to an exhaust riser and rooftop centrifugal exhaust fan, approximately 3,000 cfm total. Greenheck or similar.
4. Building Management Systems (BMS):
- a. BMS to comply with A-E Guidelines
 - b. BMS to be tied into CUF and other monitoring points within the County.
 - c. County BMS vendor is Tridium. Project team to account for graphic workstation within the building with Tridium graphics/controls
 - d. Separate meter to be provided to measure chilled water and steam. Information monitored back to CUF. Primary utility metering will comply with the CUF metering specifications.
5. Garage Exhaust Systems:
- a. Garage Exhaust:
 - Below grade levels of the Garage will be provided with garage exhaust in accordance with the applicable codes, approximately 0.75 cfm/sf of exhaust and make-up air.
 - Two approximately 50,000 cfm garage exhaust fans will be located in an enclosure within the service yard.
 - Exhaust air will be discharged to the atmosphere at least 10' above grade level.
 - The garage exhaust system shall be variable-volume with airflow rates modulated based on a carbon monoxide monitoring system.
 - Make-up air for the garage ventilation system will enter the basement level via areaways.
 - Ceiling mounted transfer air fans will be provided within the garage to ensure adequate

make-up air distribution. A transfer fan will also be mounted in the secured parking area to ensure proper airflow.

L. FIRE PROTECTION SYSTEMS

1. Wet Pipe Fire Protection Systems:
 - a. All building and parking garage areas shall be provided with complete sprinkler coverage via wet pipe automatic fire sprinkler system.
 - b. All work shall conform to requirements of the National Fire Protection Association, NFPA 13 as adopted and amended by the State, insurance underwriters, and the Fire Authority having Jurisdiction. The design shall conform to the California Building Code and Fire Code.
 - c. Fire protection system materials and components shall be Underwriters Laboratories listed and labeled, and Factory Mutual.
 - d. Materials: Sprinkler piping shall be black steel Schedule 40, ASTM A 135 or ASTM A 795 for all piping with threaded joints and fittings. U.L./F.M. approved threadable schedule 10 lightwall pipe, such as Allied "XL" or equivalent, will be accepted.
 - e. Sprinkler heads shall be as follows:
 - f. Sprinkler heads in suspended ceiling areas shall be pendent quick response sprinkler, white finish with adjustable semi-recessed white finish escutcheon.
 - g. Sprinkler heads in gyp board or other non-suspended ceiling areas shall be quick response concealed pendent sprinkler with white or custom color cover plate to match adjacent ceiling surfaces as applicable.
 - h. Areas with no ceiling shall be provided with sprinkler coverage using brass finish upright quick response sprinklers.
2. Fire Pump:
 - a. A duplex fire pump will be provided in the service yard of Building 14.
 - b. The fire pump will be powered on emergency power system.
 - c. Three standpipes per floor per OCFA requirements.

M. PLUMBING SYSTEMS

1. Building 14 plumbing systems:
 - a. Plumbing Piping Systems:
 - Domestic water supply shall be from the site water main with distribution and connection to all plumbing fixtures and other equipment supplied under other sections.
 - The domestic water system will be sized using a maximum of 3 PSI pressure drop per 100 feet of pipe and a maximum velocity of 8.0 feet per second for cold water and the hot water system will be sized using a maximum of 3 PSI pressure drop per 100 feet of pipe and a maximum velocity of 5.0 feet per second with a distribution water temperature of 120 degrees
 - Piping within the building and above grade shall be Type "L" ASTM B88, hard drawn copper tubing with wrought copper sweat fittings per ANSI B16.18 and B16.22.
 - Below grade piping outside of the building within five feet (5') of the foundation shall be Type "K" ASTM B88, hard drawn copper with wrought copper sweat fittings per ANSI B16.18 and B16.22. Below slab piping shall be Type "K" soft annealed copper tubing with no fittings below the slab.
 - Soil, waste and vent piping within the building and outside within five feet (5') of the foundation shall be no-hub cast iron pipe and fittings conforming to CISPI Standard 301-04 or ASTM A-888-04.
 - Exposed vent piping shall be Schedule 40 galvanized steel pipe, ASTM A53. Vents through roof shall terminate with vandal resistant hoods.
 - Storm drain piping within the building and outside within five feet (5') of the foundation, and overflow drain piping within the building shall be no-hub cast iron pipe and fittings conforming to CISPI Standard 301-04 or ASTM A-888-04.
 - Condensate drainage for HVAC systems will type L copper. All condensate shall discharge

- to sanitary sewer.
 - Natural gas piping will not be required for the Building or Parking Garage.
 - b. Domestic Water Booster Pumps:
 - A dedicated domestic cold-water booster pump and a dedicated hot water booster pump will be provided and located in a pump room in the parking garage.
 - The duplex variable frequency drive booster system will be capable of automatically providing constant system pressure while supplying the calculated flow rate.
 - c. Domestic Water Heating Systems:
 - Domestic hot water for lavatory and sink fixtures requiring 120 +/- F hot water will be supplied from a heat exchanger interconnected with the campus steam loop.
 - DHW system shall be circulated and returned to the heat exchanger by means of individual in-line circulating pump with building BMS control.
 - All hot water and hot water return piping shall be insulated.
 - All public lavatory faucets will be provided with a temperature-limiting device to limit the maximum outlet temperature to 110° F.
 - d. Plumbing Fixtures:
 - All plumbing fixtures shall be low-flow water conserving type fixtures:
 - Multiple-user restroom water closets shall be water efficient 1.28 GPF hard-wired flushometer valve, wall mount vitreous china, with siphon jet action and elongated bowl with open front seat, in both accessible and conventional configurations as applicable.
 - Urinals shall be water efficient 0.125 GPF "pint flush" hard-wired flushometer valve, wall mount vitreous china, with washdown action, in both accessible and conventional configurations as applicable.
 - Restroom lavatories shall be integral solid surface sinks with water efficient 0.5 GPM hot and cold-water mixing valve type faucet, ADA compliant.
 - All general use sinks shall be stainless steel self-rimming at plastic laminate countertop undermount at solid surface countertops.
 - Staff counter sinks shall be accessible single bowl HW/CW with gooseneck faucet, 1.6 GPM.
 - Kitchen sinks shall be accessible double bowl HW/CW with 1.8 GPM HW/CW kitchen faucet and 3/4 hp garbage disposal.
 - Interior drinking fountains shall be dual height stainless steel refrigerated type with recessed compressor at first floor only.
 - e. Hose Bibbs:

Hose bibbs will be provided at a minimum in accordance with the following:

 - Mechanical equipment rooms.
 - One minimum on each exterior face. Maximum spacing will not exceed 150 feet.
 - Emergency generator and fire pump rooms.
 - Each toilet room.
 - Within Parking Levels, I & II at column face with maximum spacing not exceeding 150 feet.
 - f. Floor Drains:

Floor drains, area drains or floor sinks will be provided at a minimum for the following, or as specified by Code or local building authority.

 - Mechanical equipment rooms, including cooling tower well.
 - Each toilet room.
 - Fire pump room.
 - HVAC pump room.
 - Janitor closets.
 - Within Parking Levels I & II at column face with maximum spacing not exceeding 150 feet.
2. Parking Garage
- a. Storm Drainage System:

- Complete drainage systems will be provided. System design based on 4.0 inches per hour rainfall intensity and on local code requirements. Maximum velocity to be 5 feet per second. Sump pump or sewage ejector system will be provided where required when gravity drainage cannot occur. Sand/oil clarifier will be provided (if required) at discharge of parking garage storm drainage system.
- b. Sanitary Drainage System:

Area drains or floor drains for nuisance water shall be provided in parking garage. Sewage ejector will be provided to discharge area drains to sanitary sewer system.
 - c. Hose Bibbs:

Hose bibbs will be provided at each level of the parking garage with a maximum spacing not exceeding 150 feet.

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