

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST ____, 2024

[NEW ISSUE – FULL BOOK–ENTRY

**RATING: S&P: “__”
See “RATING”**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The portion of Lease Payments designated and comprising interest may be subject to the corporate alternative minimum tax. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$ _____*
**2024 Certificates of Participation
(Energy Resiliency Projects)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof In
Lease Payments to be Made by
COUNTY OF SONOMA
As the Rental for Certain Leased Property Pursuant to a
Lease Agreement with the
COUNTY OF SONOMA PUBLIC FINANCING CORPORATION**

Dated: Date of Delivery

Due April 1, as shown below

Certificates. The Certificates of Participation evidence and represent direct, undivided fractional interests of the Owners thereof in the Lease Payments (which include principal and interest components) to be made by the County of Sonoma, (the “County”), for the right to the use of certain real property and improvements thereon (the “Leased Property”) within the County pursuant to that certain Lease Agreement, dated as of August 1, 2024 (the “Lease Agreement”), by and between the County, as lessee, and the County of Sonoma Public Financing Corporation (the “Corporation”) as lessor. The Certificates are being executed and delivered (i) to provide funds for the improvement of capital facilities of the County, (ii) to fund capitalized interest on the Certificates through October 1, 2025, and (iii) to pay certain costs incurred in connection with execution and delivery of the Certificates.

Payment Terms. The Certificates will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers of the Certificates will not receive certificates representing their interests in the Certificates. Payments of the principal of and interest on the Certificates will be made to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Certificates. Interest on the Certificates is payable on April 1 and October 1, commencing April 1, 2025 (each, an “Interest Payment Date”). See “THE CERTIFICATES– General Provisions.”

Prepayment Prior to Maturity. The Certificates are subject to prepayment prior to their maturity as more fully described in this Official Statement. See “THE CERTIFICATES– Prepayment.”

Security for the Certificates. The County has covenanted in the Lease Agreement to make the Lease Payments for the Leased Property as provided for therein, to include all such Lease Payments in each of its budgets and to make the necessary annual appropriations for all such Lease Payments. *The Lease Payments, however, are subject to abatement under certain circumstances, as described herein. Neither the Corporation nor the County is establishing a reserve fund for the Certificates.*

The Certificates will be initially delivered only in book-entry form, registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository of the Certificates. Interest and principal represented by the Certificates are payable by The Bank of New York Mellon Trust Company, N.A., as Trustee, to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Certificates. See “THE CERTIFICATES – Book-Entry Only System” and “– General.”

The Certificates are subject to prepayment prior to maturity as described herein. See “THE CERTIFICATES – Prepayment.”

The obligation of the County to make the Lease Payments does not constitute a debt of the County or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State of California is obligated to levy or pledge any form of taxation or for which the County or the State of California has levied or pledged any form of taxation.

**MATURITY SCHEDULE
(see inside cover)**

THIS COVER PAGE CONTAINS INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SECTION ENTITLED “RISK FACTORS,” FOR A DISCUSSION OF CERTAIN FACTORS WHICH SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH IN THIS OFFICIAL STATEMENT, IN CONSIDERING THE INVESTMENT QUALITY OF THE CERTIFICATES. CAPITALIZED TERMS USED ON THIS COVER PAGE AND NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH IN THE TRUST AGREEMENT AND/OR LEASE AGREEMENT.

The Certificates will be sold and awarded pursuant to a competitive bidding process to be held on _____, 2024, as set forth in the Official Notice of Sale. The Certificates will be offered when, as and if issued and accepted by the Underwriter, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the County. Certain matters will be passed upon for the County by the Office of County Counsel. It is anticipated that the Certificates, in book entry only form, will be available for delivery through the facilities of DTC on or about August [____], 2024.

The date of this Official Statement is: _____, 2024.

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE

BASE CUSIP†: _____

\$ _____ Serial Certificates

<u>Maturity (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
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\$ _____ % Term Certificates Due April 1, 20__; Yield: ____%; Price: ____%;
CUSIP: _____

\$ _____ % Term Certificates Due April 1, 20__; Yield: ____%; Price: ____%;
CUSIP: _____

* Preliminary; subject to change.

† CUSIP Global Services (CGS) is managed on behalf of American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the County, the Corporation or the Underwriter take any responsibility for the accuracy of the CUSIP data.

[Insert map of County relative to State]

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and any of the Corporation, the County or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the County, the Corporation or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Corporation, the County or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the Corporation, the County and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the County or the Corporation, in any press release and in any oral statement made with the approval of an authorized officer of the County or the Corporation, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Corporation, the County or any other entity described or referenced herein since the date hereof.

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market prices of the Certificates at levels above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Certificates to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Official Statement Speaks Only as of its Date. The information and expressions of opinions in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof.

Document Summaries. All summaries of the Trust Agreement, the Lease Agreement (as such terms are defined in this Official Statement) or other 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.

No Registration or Qualification. THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

COUNTY OF SONOMA

SONOMA COUNTY BOARD OF SUPERVISORS

Susan Gorin, District 1
David Rabbitt, District 2
Chris Coursey, District 3
James Gore, District 4
Lynda Hopkins, District 5

COUNTY OFFICIALS

M. Christina Rivera, *County Executive Officer*
Peter Bruland, *Deputy County Administrator*
Erick Roeser, *Auditor-Controller-Treasurer-Tax Collector*
Robert Pittman, *County Counsel*

COUNTY OF SONOMA PUBLIC FINANCING CORPORATION

David Rabbitt, *President*
M. Christina Rivera, *Secretary-Treasurer*

SPECIAL COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

KNN Public Finance, LLC
Berkeley, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

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OFFICIAL STATEMENT

\$ _____ *

SONOMA COUNTY
2024 Certificates of Participation
(Energy Resiliency Projects)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof In
Lease Payments to be Made by
Sonoma County
As the Rental for Certain Leased Property Pursuant to a
Lease Agreement with the
County of Sonoma Public Financing Corporation

This Official Statement (which includes the cover page and Appendices hereto) (the “**Official Statement**”) provides certain information concerning the execution, sale and delivery of the County of Sonoma Public Financing Corporation 2024 Certificates of Participation (Energy Resiliency Projects) (the “**Certificates**”).

INTRODUCTION

This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in “APPENDIX A – Summary of Principal Legal Documents”.

Issuance of Certificates. The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2024 (the “**Trust Agreement**”), by and among The Bank of New York Mellon Trust Company, N.A. as trustee (the “**Trustee**”), the County of Sonoma Public Financing Corporation (the “**Corporation**”) and the County of Sonoma (the “**County**”). The Certificates are being executed and delivered in denominations of \$5,000 or any integral multiple thereof. Interest will accrue on the principal components of each Certificate at the applicable interest rate (as set forth on the cover hereof) from the Dated Date until its date of maturity or prior prepayment, with interest becoming payable on each April 1 and October 1, commencing April 1, 2025. The Certificates are subject to prepayment as described herein. See “THE CERTIFICATES – Prepayment.”

Use of Proceeds. The net proceeds of the sale of the Certificates will be used (i) to pay the costs of certain energy conservation measures, including certain energy conservation measures and upgrades at multiple County facilities, including LED lighting and controls facilities, water conservation facilities, water heating facilities, solar photovoltaic energy generation facilities, and battery energy storage facilities, (ii) to fund capitalized interest on the Certificates through October 1, 2025, and (iii) to pay certain costs incurred in connection with the execution and delivery of the Certificates.

* Preliminary, subject to change.

Ownership of Certificates. The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the “**Owners**”) thereof in lease payments (the “**Lease Payments**”) to be made by the County for the right to the use of certain capital facilities (the “**Leased Property**”), pursuant to a Lease Agreement, dated as of August 1, 2024 (the “**Lease Agreement**”), by and between the Corporation, as sublessor, and the County, as sublessee. In order to facilitate the lease contemplated by the Lease Agreement, the County will first lease the Leased Property to the Corporation pursuant to a Site Lease, dated as of August 1, 2024 (the “**Site Lease**”), by and between the County, as lessor and the Corporation, as lessee.

Lease Payments. The County covenants under the Lease Agreement to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in the budget for each fiscal year and to make the necessary annual appropriations therefor, subject to abatement as described herein.

Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the County’s right to use and occupancy of the Leased Property or any portion thereof. Abatement of Lease Payments under the Lease Agreement, to the extent payment is not made from alternative sources as described herein, would result in all Certificate Owners receiving less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of an eminent domain or insurance award, are available to pay Lease Payments, or to the extent that moneys are available in the Lease Payment Fund, Lease Payments (or a portion thereof) may be made during periods of abatement.

No Debt Service Reserve Fund. No debt service reserve fund will be established for the Certificates.

Additional Certificates. Under the Trust Agreement, the County and the Corporation may cause the issuance of additional certificates on a parity with the Certificates, provided that the conditions contained in the Trust Agreement are met.

LIMITED OBLIGATION. THE OBLIGATION OF THE COUNTY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR THE STATE OF CALIFORNIA (THE “**STATE**”) OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Risk Factors. Investment in the Certificates has certain risks arising from circumstances which could have an adverse impact on the ability of the County to pay the Lease Payments. See “**RISK FACTORS**” herein.

Miscellaneous. There follows in this Official Statement, which includes the cover page and Appendices hereto, a brief description of the Certificates, the County, the Trust Agreement, the Site Lease, the Lease Agreement and other documents, risk factors and certain other information relevant to the issuance of the Certificates. All references herein to the Trust Agreement, Lease Agreement and other documents, agreements and statutes referred to herein, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute. A summary of certain provisions of the Trust Agreement and Lease Agreement is included in APPENDIX A. A recent financial

statement of the County is included in APPENDIX C. The information set forth herein and in the Appendices hereto has been furnished by the County and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Trust Agreement or the Lease Agreement shall have the meanings set forth therein, some of which are summarized in “APPENDIX A – Summary of Principal Legal Documents.”

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including table of receipts from tax increment revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

THE FINANCING PLAN

The Project

The net proceeds of the sale of the Certificates will be used (i) to finance the acquisition and construction of various public capital improvements consisting generally of certain energy conservation measures and upgrades at multiple County facilities, including LED lighting and controls facilities, water conservation facilities, water heating facilities, solar photovoltaic energy generation facilities, and battery energy storage facilities (the “**Project**”) and (ii) to pay certain costs incurred in connection with the execution and delivery of the Certificates. The Project is expected to begin in September 2024 and be completed by September 2026. The total construction cost of the Project is estimated to be approximately \$28.3 million.

Estimated Sources and Uses of Funds

The Trustee will receive the proceeds from the sale of the Certificates, upon delivery of the Certificates to the purchasers thereof, and will use such proceeds, exclusive of accrued interest, as set forth in the following table.

SOURCES:

Par Amount of Certificates	\$
Plus: [Net] Original Issue Premium/Discount	
<i>Total Sources:</i>	\$

USES:

Deposit to Project Fund	\$
Deposit to Capitalized Interest Account ⁽¹⁾	
Deposit to Costs of Issuance Fund ⁽²⁾	

Underwriter's Discount
Total Uses:

_____ \$

⁽¹⁾ Represents capitalized interest on the Certificates through October 1, 2025.

⁽²⁾ Represents funds to be used to pay Costs of Issuance, which include legal fees, printing costs, rating agency fees, municipal advisor fees, trustee's fees, title insurance costs and other miscellaneous expenses.

THE LEASED PROPERTY

Under the Lease Agreement, the County leases the Leased Property from the Corporation. The Leased Property initially consists of (i) the Fleet Services Operations Building (the “**Fleet Services Building**”), which was constructed in 2015 and is located at 709 Russell Avenue, Santa Rosa, California, (ii) the Valley of the Moon Children’s Home, which was constructed in 2005 and is located at 100 Children’s Circle, Santa Rosa, California (the “**VOTM Children’s Home**”), (iii) the Valley of the Moon Administrative Offices, which was constructed in 2009 and is located at 112 Children’s Circle, Santa Rosa, California (the “**VOTM Administrative Building**”), and (iv) the Family Justice Center, which was constructed in 1993 and is located at 2755 Mendocino Avenue, Santa Rosa, California (the “**Family Justice Center**” and, together with the Fleet Services Building, the VOTM Children’s Home, and the VOTM Administrative Building, the “**Leased Property**”).

The Leased Property may be substituted or removed by the County upon satisfaction of certain conditions set forth in the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution or Removal of Leased Property”.

The County estimates the value of the Fleet Services Building to be approximately \$11.7 million, the value of the VOTM Children’s Home to be approximately \$7.3 million, the value of the VOTM Administrative Building to be approximately \$7.0 million, and the value of the Family Justice Center to be approximately \$5.9 million, based upon current insured values.

THE CERTIFICATES

General

The Certificates evidence and represent direct, undivided fractional interest of the Owners thereof in the principal and interest components of Lease Payments to be made by the County pursuant to the Lease Agreement.

The Certificates will be executed and delivered in principal amounts of \$5,000 or integral multiples thereof. Interest represented by each Certificate will accrue on the principal components represented by such Certificate at the applicable interest rate from the Dated Date until its date of maturity or prior prepayment, with interest becoming payable on each April 1 and October 1 (each, an “**Interest Payment Date**”), commencing April 1, 2025.

Each Certificate will be dated as of the Closing Date and interest represented thereby will be payable from the Interest Payment Date next preceding the date of execution thereof, (a) unless it is executed following a Record Date and on or before the next succeeding Interest Payment Date, in which event interest represented thereby will be payable from such Interest Payment Date, or (b) unless it is executed on or before the first Record Date, in which event interest represented thereby will be payable from the Closing Date; *provided, however*, that if, as of the date of any Certificate, interest represented by such Certificate is in default, interest represented thereby shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to such Certificate. Interest evidenced by each Certificate will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Registration, Transfers and Exchanges

The Certificates will be executed and delivered as fully registered Certificates, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Certificates (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined herein). Beneficial Owners will not be entitled to receive physical delivery of the Certificates. In the event that the book-entry-only system is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement. See “APPENDIX F – DTC and the Book-Entry Only System.”

Prepayment*

Optional Prepayment. The Certificates maturing on or before April 1, 2034 are not subject to optional prepayment prior to their respective stated maturities. The Certificates maturing on or after April 1, 2035 are subject to prepayment prior to their respective stated maturities, at the option of the County, in whole, or in part among such maturities as are designated by the County in integral multiples of \$5,000, on any date on or after April 1, 2034 from prepayments of the Lease Payments made pursuant to the Lease Agreement, at a prepayment price equal to the principal amount of the Certificates or portions thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Special Mandatory Prepayment From Insurance or Condemnation Proceeds. The Certificates are also subject to mandatory prepayment on any date, in whole or in part, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment.

Mandatory Sinking Fund Prepayment. The Certificates maturing on April 1 in each of the years 20__ and 20__ (the “Term Certificates”), are subject to mandatory sinking fund prepayment prior to their respective stated maturities, in the amounts and years set forth below, at the prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment.

Mandatory Sinking Fund Prepayment of
Term Certificates Maturing
April 1, 20__

Sinking Fund Prepayment Date (April 1)	Principal Amount To Be Prepaid
(Maturity)	\$

* Preliminary, subject to change.

Mandatory Sinking Fund Prepayment of
Term Certificates Maturing
April 1, 20__

Sinking Fund Prepayment Date (April 1)	Principal Amount To Be Prepaid
(Maturity)	\$

The amounts in the foregoing tables shall be reduced as a result of any prior partial optional prepayment of the Certificates or partial prepayment of the Certificates from net proceeds of insurance or eminent domain, as specified in writing by a County Representative to the Trustee.

Notice of Prepayment. Notice of prepayment will be mailed by the Trustee, first class, postage prepaid, not more than 60 days and not less than 20 days before any prepayment date, to the respective registered Owners of any Certificates designated for prepayment at their addresses appearing on the registration books maintained by the Trustee and to one or more Securities Depositories and the Municipal Securities Rulemaking Board. Neither the failure to receive any notice nor any defect therein will affect the proceedings for such prepayment.

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of less than all of the Certificates of a single maturity or series, the Trustee will select the Certificates to be prepaid from all Certificates of that maturity or series to be prepaid randomly in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, Certificates will be deemed to be comprised of \$5,000 portions and each portion will be subject to prepayment as if such portion were a separate Certificate.

Effect of Prepayment. If notice of prepayment has been duly given and money for the payment of the prepayment price of the Certificates called for prepayment has been duly provided, such Certificates so called will cease to be entitled to any benefit under the Trust Agreement other than the right to receive payment of the prepayment price, and no interest will accrue thereon from and after the prepayment date specified in such notice.

Rescission of Prepayment. The Corporation has the right to rescind any notice of optional prepayment of Certificates by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of prepayment shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default. The Corporation and the Trustee have no liability to the Certificate Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent under the Trust Agreement.

Any notice of optional prepayment or prepayment from Net Proceeds of insurance or eminent domain may specify that prepayment of the Certificates designated for prepayment on the specified date will be subject to the receipt by the County or the Trustee, as applicable, of moneys sufficient to cause such prepayment (and will specify the proposed source of such moneys), and neither the County nor the Trustee will have any liability to the Owners of any Certificates, or any other party, as a result of the County's failure to prepay the Certificates designated for prepayment as a result of insufficient moneys therefor.

Transfer and Exchange of Certificates. The following provisions regarding the exchange and transfer of the Certificates apply only during any period in which the Certificates are not subject to DTC's book-entry system. While the Certificates are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation at the Corporate Trust Office of the Trustee in _____, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute, authenticate and deliver a new Certificate or Certificates of the same maturity and aggregate principal amount, in any authorized denominations.

Certificates may be exchanged at the Corporate Trust Office of the Trustee, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The County shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Discontinuance of DTC Service. In the event that (a) DTC determines not to continue to act as securities depository for the Certificates, or (b) the County determines to remove DTC from its functions as a depository, DTC's role as securities depository for the Certificates and use of the book-entry system will be discontinued. If the County fails to select a qualified securities depository to replace DTC, the County will cause the Trustee to execute and deliver new Certificates in fully registered form in such denominations numbered in the manner determined by the Trustee and registered in the names of such persons as are requested by the Beneficial Owners thereof. Upon such registration, such persons in whose names the Certificates are registered will become the registered Owners of the Certificates for all purposes.

LEASE PAYMENT SCHEDULE

Following is the annual schedule of Lease Payments due with respect to the Certificates (assuming no optional prepayment of the Certificates).

Payment Date*	Principal Component	Interest Component	Total Lease Payment
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* Lease Payments are payable 15 calendar days before the Interest Payment Dates shown above.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Nature of the Certificates

Each Certificate evidences and represents a direct, undivided fractional interest in the principal component of the Lease Payments due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Lease Payments (based on the stated interest rate with respect to such Certificate) to accrue from the Dated Date, to its payment date or prepayment date, as the case may be.

The Trustee and the Corporation will enter into an Assignment Agreement, dated as of August 1, 2024 (the “**Assignment Agreement**”), pursuant to which the Corporation will assign to the Trustee for the benefit of the Owners of the Certificates, substantially all of the Corporation’s right, title and interest in and to the Lease Agreement, including, without limitation, its right to receive Lease Payments to be paid by the County. The County will pay Lease Payments directly to the Trustee, as assignee of the Corporation.

Lease Payments

For the right to the use and occupancy of the Leased Property, the Lease Agreement requires the County to make Lease Payments. Scheduled Lease Payments relating to the Certificates are set forth above under the heading “LEASE PAYMENT SCHEDULE.”

THE OBLIGATION OF THE COUNTY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Additional Payments

The County is obligated under the Lease Agreement to pay when due, during the term of the Lease Agreement, in addition to the Lease Payments, all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), indemnification and annual compensation due to the Trustee and all of its reasonable costs payable as a result of the performance of and compliance with its duties under the Trust Agreement, and all costs and expenses of attorneys, auditors, engineers and accountants (the “**Additional Payments**”). Such costs and expenses shall be payable as additional amounts of rental in consideration of the right of the County to the use and occupancy of the Leased Property. Amounts payable to holders of the Certificates are not derived from Additional Payments.

Covenant to Appropriate Funds for Lease Payments or Additional Payments

The County has covenanted in the Lease Agreement to take such action as may be necessary to include all Lease Payments in each of its annual budgets and to make the necessary annual appropriations for all such Lease Payments.

Abatement

Lease Payments are to be paid by the County in each rental period for and in consideration of the right to use and occupy the Leased Property during each such period. The amount of Lease Payments shall be abated during any period in which by reason of damage or destruction (other than by eminent domain which is otherwise provided for) there is substantial interference with the use and occupancy by the County of the Leased Property or any portion thereof. The amount of the Lease Payments under such circumstances shall not be less than the amount of the unpaid Lease Payments required to pay principal and interest with respect to the Certificates, as scheduled, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Leased Property not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the County has waived any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under the Lease Agreement to the extent that the proceeds of hazard insurance, eminent domain awards, or rental interruption insurance are available to pay Lease Payments which would otherwise be abated.

No Debt Service Reserve Fund

No debt service reserve fund has been established with respect to the Certificates. See “RISK FACTORS – No Debt Service Reserve Fund.”

Action on Default

Should the County default under the Lease Agreement, the Trustee, as assignee of the Corporation under the Lease Agreement, may exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. The Corporation and the Trustee (as assignee of the Corporation) may terminate the Lease Agreement and re-lease all or any portion of the Leased Property. See “RISK FACTORS – Limited Recourse on Default” herein.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Corporation) contained in the Lease Agreement and the Trust Agreement, see “APPENDIX A – Summary of Principal Legal Documents” herein.

Insurance

The County agrees in the Lease Agreement that for the term of such Lease Agreement it will maintain insurance with respect to the Leased Property against the risks and in the amounts described in the following paragraphs.

Public Liability and Property Damage Insurance. The County is obligated under the Lease Agreement to maintain or cause to be maintained, throughout the term of the Lease Agreement a standard comprehensive general insurance policy or policies in protection of the

Corporation, County, and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Said policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the County deems adequate and prudent. Such liability insurance may be maintained as self-insurance or as part of or in conjunction with any other liability insurance coverage carried by the County. The net proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the proceeds of such insurance shall have been paid. **The County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake or flood.**

Fire and Extended Coverage Insurance. The County is obligated under the Lease Agreement to procure and maintain, or cause to be procured and maintained, throughout the term of the Lease Agreement, insurance against loss or damage to any structures constituting any part of the Leased Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the lesser of one hundred percent of the replacement cost of the structures located on the Leased Property or the outstanding principal amount of the Certificates of Participation. If the County elects to provide property and casualty insurance in an amount that is equal to the par amount of the Certificates but less than the replacement cost of the structures located on the Leased Property, the net proceeds of such casualty insurance must be paid to the Trustee and applied to the prepayment of the Certificates in accordance with the Trust Agreement, unless such net proceeds, together with any additional funds deposited with the Trustee, are sufficient to fully rebuild or repair the Leased Property. Full payment of insurance net proceeds up to the required policy dollar limit in connection with damage to the Leased Property shall, under no circumstances, be contingent on the degree of damage sustained at other facilities owned or leased by the County. Such insurance may be maintained as self-insurance or as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the County. The County may, at its option and in its sole discretion, obtain earthquake insurance coverage with respect to the Leased Property, and if obtained, the County may discontinue such coverage at any time.

Rental Interruption Insurance. The Lease Agreement requires the County to procure and maintain throughout the term of the Lease Agreement, rental interruption or use and possession insurance to cover loss, total or partial, of the use of any structures constituting any part of the Leased Property as a result of any of the hazards covered in the insurance (other than earthquake insurance, if any is obtained) required by the Lease Agreement in an amount at least equal to Lease Payments due during a 24-month period. The net proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments as the same become due and payable. The County may not satisfy the requirement for rental interruption or use and occupancy insurance by self-insurance.

Title Insurance. The County is obligated under the Lease Agreement to obtain a California Land Title Association form of title insurance policy which insures the leasehold estate created under the Lease Agreement, subject only to Permitted Encumbrances, in an amount equal to the principal amount of the Certificates.

Net Proceeds; Form of Insurance. All proceeds of such insurance must be payable to the Trustee as and to the extent required under the Lease Agreement. All such policies must provide that the Trustee shall be given thirty days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee will not be responsible for the sufficiency of any required insurance 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 Trustee. The County will cause to be delivered to the Trustee annually a certificate of the County that the insurance policies required by the Lease Agreement are in full force and effect.

Substitution or Removal of Leased Property

Pursuant to the Lease Agreement, the County has the options listed below with respect to substitution or removal of the Leased Property.

Substitution of Leased Property. The County has the option at any time and from time to time during the Term of the Lease Agreement to substitute other land, facilities, improvements or other property (a "**Substitute Property**") for the Leased Property or any portion thereof (a "**Former Property**"), provided that the County shall satisfy all of the following requirements:

(a) No event of default has occurred and is continuing under the Lease Agreement; and;

(b) The County shall take all actions and shall execute all documents required to subject such Substitute Property to the terms and provisions of the Lease Agreement, including the filing with the Corporation and the Trustee an amended exhibit thereto which adds a description of such Substitute Property and deletes the description of such Former Property, and including the recordation of the Lease Agreement or a memorandum thereof with respect to such Substitute Property in the office of the Sonoma County Clerk-Recorder;

(c) The County shall certify in writing to the Corporation and the Trustee that the annual fair rental value of such Substitute Property is no less than the maximum annual Lease Payments remaining unpaid under the Lease Agreement at the time of the proposed substitution;

(d) The County shall certify in writing to the Corporation and the Trustee that such Substitute Property serves the public purposes of the County and is essential to the operation of the County;

(e) The County shall certify in writing to the Corporation and the Trustee that the estimated useful life of such Substitute Property at least extends to the date on which the final Lease Payment becomes due and payable under the Lease Agreement;

(f) The County shall cause to be filed with the Trustee an opinion of Special Counsel substantially to the effect that such substitution will not (i) affect the obligation of the County to continue to pay Lease Payments in the amounts and at the times and in the manner required by the Lease Agreement, or (ii) cause interest with respect to the Certificates to become includable in the gross income of the Certificate Owners for federal or State of California income tax purposes; and

(g) With respect to the Substitute Property, the County shall file with the Trustee evidence of ownership of, or, at the option of the County, insurance naming the Trustee as the insured and insuring, the fee or leasehold estate of the County in such Substitute Property subject only to such exceptions as do not substantially interfere with the County's right to use and occupy such Substitute Property and as will not result in an abatement of Lease Payments payable by the County under the Lease Agreement.

Upon the satisfaction of all such conditions precedent, the term of the Lease Agreement will thereupon cease with respect to the Former Property and shall be continued with respect to the Substitute Property, and all references in the Lease Agreement to the Former Property shall apply with full force and effect to the Substitute Property. The County shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution.

Removal of Leased Property. Under the Lease Agreement, the County has the option at any time and from time to time during the term of the Lease Agreement to remove any property (the "**Removed Property**") from the description of the Leased Property, provided that the County shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such removal:

(i) No event of default has occurred and is continuing under the Lease Agreement;

(ii) The County shall take all actions and shall execute all documents required to remove the Removed Property from the encumbrance of the Lease Agreement, including the filing with the Corporation and the Trustee an amended Exhibit A thereto which removes therefrom a description of the Removed Property, and including the recordation of an amendment to the Lease Agreement or a memorandum thereof with respect to such Removed Property in the office of the County Clerk-Recorder, and shall file and cause to be recorded corresponding amendments to the Site Lease and Assignment Agreement.

(iii) the County shall certify in writing to the Corporation and the Trustee that the annual fair rental value of the Leased Property remaining after such removal is no less than the maximum annual Lease Payments remaining unpaid under the Lease Agreement at the time of the proposed removal; and

(iv) the County shall obtain and cause to be filed with the Trustee and the Corporation an opinion of Special Counsel stating that such removal is permitted under the Lease Agreement and does not cause interest with respect to the Certificates to become includable in the gross income of the Certificate Owners for federal or State of California income tax purposes.

See "RISK FACTORS – Substitution and Removal of the Leased Property" for a discussion of certain risk factors related to the County's right to substitution and removal of the Leased Property.

Addition of Leased Property

General. Under the Lease Agreement, the County may, at any time it deems it necessary or advisable, amend the Lease Agreement, and enter into any necessary or advisable site or

ground lease, to add additional property to the Leased Property originally leased thereunder. No such addition shall take place under the Lease Agreement until the County delivers to the Corporation and the Trustee an opinion of Special Counsel substantially to the effect that such addition will not (i) affect the obligation of the County to continue to pay Lease Payments in the amounts and at the times and in the manner required by the Lease Agreement, or (ii) cause interest with respect to the Certificates to become includable in the gross income of the Certificate Owners for federal or State of California income tax purposes.

Addition of Lease Property in Connection With Additional Certificates. If the addition to the Leased Property (the “**Additional Property**”) is being done in connection with the execution and delivery of Additional Certificates, the following requirements also apply:

(i) No event of default has occurred and is continuing under the Lease Agreement.

(ii) The County shall take all actions and shall execute all documents required to subject such Additional Property to the terms and provisions of the Lease Agreement, including the filing with the Corporation and the Trustee an amended Exhibit A thereto which adds thereto a description of such Additional Property, and including the recordation of the Lease Agreement or a memorandum hereof with respect to such Additional Property in the office of the County of Sonoma Clerk-Recorder, and shall file and cause to be recorded corresponding amendments to the Site Lease and Assignment Agreement.

(iii) The County shall provide to the Corporation and the Trustee a certificate of a County Representative that states that the annual fair rental value of the Leased Property including such Additional Property is no less than the maximum annual Lease Payments remaining unpaid at the time of the proposed addition, as such Lease Payments may be increased in connection with the execution and delivery of Additional Certificates.

(iv) The County shall certify in writing to the Corporation and the Trustee that such Additional Property serves the public purposes of the County and is essential to the operation of the County.

(v) The County shall certify in writing to the Corporation and the Trustee that the estimated useful life of the Additional Property at least extends to the date on which the final Lease Payment becomes due and payable under the Lease Agreement.

(vi) The County shall cause to be filed with the Trustee an opinion of Special Counsel substantially to the effect that such substitution will not (a) affect the obligation of the County to continue to pay Lease Payments in the amounts and at the times and in the manner required by the Lease Agreement, as it may be amended in connection with the execution and delivery of Additional Certificates, or (b) cause interest with respect to the Certificates to become includable in the gross income of the Certificate Owners for federal or State of California income tax purposes.

(vii) With respect to the Additional Property, the County shall file with the Trustee evidence of ownership of, or, at the option of the County, insurance naming the Trustee as the insured and insuring, the fee or leasehold estate of the County in such Additional Property subject only to such exceptions as do not substantially interfere with the County's right to use and occupy such Additional Property and as will not result in an abatement of Lease Payments payable by the County under the Lease Agreement.

THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State. The Corporation was established for the purpose of facilitating the financing of public projects in the County. The Board of Directors of the Corporation is composed of the sitting members of the Board of Supervisors of the County.

THE COUNTY AND COUNTY FINANCIAL INFORMATION

County Government

The City of Santa Rosa is the seat of the County. The County is a general law county divided into five supervisorial districts on the basis of population, with the boundaries adjusted every 10 years following the federal census. The five members of the County Board of Supervisors (the “**Board of Supervisors**”) are elected to four-year terms in staggered years. Also elected are the Auditor-Controller-Treasurer-Tax Collector, Clerk-Recorder-Assessor-Registrar of Voters, District Attorney, and Sheriff-Coroner. A County Administrator (also formally designated and referred to as the County Executive) appointed by the Board of Supervisors runs the day-to-day business affairs of the County and either the Board of Supervisors or the County Administrator appoints the other department heads. The current Board of Supervisors and the expiration date of their respective terms of office are shown in the following table.

Sonoma County Board of Supervisors

<u>Member</u>	<u>Area</u>	<u>Term Expires</u>
Susan Gorin	1 st District	1/4/2025
David Rabbitt	2 nd District	1/1/2027
Chris Coursey	3 rd District	1/4/2025
James Gore	4 th District	1/1/2027
Lynda Hopkins	5 th District	1/4/2025

The following are brief resumes of key County managers.

M. Christina Rivera, County Executive. M. Christina Rivera is the County Administrator, a position she has held since January 2023. She has worked for the County since 1996 and, among other positions, previously served as the Deputy County Administrator from 2013 to 2017 and as the Assistant County Administrator from 2017 to 2023. As the top executive in the County’s government, Ms. Rivera oversees more than 4,000 employees and an annual budget of roughly \$2 billion. In prior positions with the County, she oversaw the County’s budget and multi-year fiscal forecasts and served as Emergency Operations Director. A native of Santa Rosa, Ms. Rivera received her bachelor’s degree in accounting from the Universidad Autonoma de Baja California, Mexico.

Erick Roeser, Auditor-Controller-Treasurer-Tax Collector. Erick Roeser is the Auditor-Controller-Treasurer-Tax Collector for the County. In his over 30 years of public service Mr. Roeser has held a variety of positions including senior management and executive level positions within the Auditor-Controller-Treasurer-Tax Collector’s Office. He was initially appointed as the interim Sonoma County Auditor-Controller-Treasurer-Tax Collector in June of 2017. He went on

to be elected to office in June 2018 and was most recently re-elected in June 2022. In addition to his duties as an elected official, Mr. Roeser also sits on the Board of Trustees for the Sonoma County Employee's Retirement Association and is an active member in the California State Association of County Auditors, the California Association of County Treasurers and Tax Collectors and the Government Finance Officers Association.

Deva Marie Proto, Clerk-Recorder-Assessor-Registrar of Voters. Deva Marie Proto is the County's Clerk-Recorder-Assessor-Registrar of Voters. Ms. Proto grew up in Sonoma County, and has a Master's in Public Administration from Sonoma State University. She has been employed with the County since 2007, and in the Clerk-Recorder-Assessor department since 2009. Ms. Proto was the Chief Deputy Clerk-Recorder for five years prior to running for elected office. Ms. Proto was elected to her current position in 2018 and reelected in 2022. Since the time she was first elected, Ms. Proto has worked to expand access to records and services in her department, and overseen fourteen elections.

Robert Pittman, Esq., County Counsel. Robert Pittman is the appointed County Counsel for the County of Sonoma. Mr. Pittman has been a public agency attorney for more than 30 years. He has worked for the Office of Sonoma County Counsel for fourteen years and has previously served Chief Deputy (2016-2017) and as the Assistant County Counsel (2017-2020). Prior to joining the County of Sonoma, Mr. Pittman worked for private firms exclusively representing public agencies, serving as Assistant/Acting City Attorney for more than twenty cities and as special counsel to more than 75 special districts. Mr. Pittman earned his bachelor's degree from Cornell University and his juris doctor degree from Loyola Law School, Los Angeles. Mr. Pittman also serves on the Board of Directors for the Sonoma County Bar Association.

County Services

The County provides a wide range of services to its residents, including general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. The State and Federal governments mandate certain minimum levels of services in the public protection, public assistance and health areas. Depending on the service type, the services performed by the County may be provided for all residents of the County or specifically those in unincorporated areas of the County, although every County resident directly or indirectly benefits from these services.

Employees

A summary of County budgeted full-time equivalent positions is set forth below. As of Fiscal Year 2024-25, the County supports 4,501.93 positions across 26 departments.

Sonoma County Budgeted Employees Fiscal Years 2016-17 to 2024-25

Budget for Fiscal Year Ending <u>June 30</u>	Budgeted Number of Full-Time Equivalent <u>Employees</u>
2017	4,111.70
2018	4,149.35
2019	4,060.18
2020	4,061.33
2021	4,107.73
2022	4,155.73
2023	4,271.93
2024	4,387.03
2025	4,501.93

Source: Sonoma County.

Collective Bargaining

The County enjoys a successful and positive employee relations program. County employees participate in 11 bargaining units. These 11 units include Deputy Sheriff's Association, Deputy Sheriff's Law Enforcement Management, Engineers and Scientists of California, International Union of Operating Engineers, Stationary Engineers – Local 39, Sonoma County Deputy Public Defender Attorneys' Association, Sonoma County Law Enforcement Association, Sonoma County Law Enforcement Managers Association, Sonoma County Prosecutors' Association, Sonoma County Public Defender Investigators' Association, Service Employees' International Union – Local 1021, and Western Council of Engineers. The units' current contracts are scheduled to expire at varying times in 2026.

Education

The County is divided into 40 school districts for kindergarten through twelfth-grade (K-12) educational services. There are 31 elementary, 3 high school, and 6 unified districts. Unified districts operate both elementary and secondary schools for the students residing within their boundaries.

Although many districts are small in size, approximately 66,500 students attend the 165 public schools that are located in the County. There are 111 elementary, 28 middle/junior high, and 19 high schools, as well as 14 alternative schools and 7 independent study schools. Fifty-three of the County's public schools are charter schools. Eighty-one schools have been named California Distinguished Schools and twelve have been recognized as National Blue Ribbon Schools.

For certain general economic and demographic information regarding the County, see “APPENDIX B – Sonoma County General Economic and Demographic Information.”

County Finances

The following selected financial information provides a brief overview of the County's finances. This financial information has been extracted from the County's audited financial statements and, in some cases, from unaudited information provided by the County's Auditor-Controller Treasurer-Tax Collector's Office. See “APPENDIX C – Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.”

Accounting Policies and Financial Reporting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity/net position, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The basis of accounting for all funds is more fully explained in the “Note 1- Summary of Significant Accounting Policies” contained in Appendix C.

The Board of Supervisors of the County employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the Board of Supervisors, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the County in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the Board of Supervisors and a copy of the financial statements as of the close of the fiscal year is published. The County's Annual Comprehensive Financial Report for Fiscal Year 2022-23 was prepared by Eide Bailly LLP (the “**Auditor**”), 16081 Foothill Blvd., Suite 300, Rancho Cucamonga, California 91730.

Financial Policies

The County has established various policies that guide the management of its finances and is in compliance with such policies.

Balanced Budget. It is the County's policy that its budget must balance expenditure appropriations with resources, which is in line with State law requirements. The County must live within its own means and avoid disturbing other local jurisdictions' revenue sources to resolve its deficiencies. Furthermore, County financial policies call for structurally balanced budgets, in which ongoing expenditures are balanced against ongoing revenues, and beginning fund balance is not used for ongoing expenditures.

Expenditure Management and Control. Federal and State program reductions will not be backfilled with County discretionary revenues except by the Board of Supervisors direction. The Board typically does not backfill these programs due to their sheer size and magnitude on the County's financial position.

Debt Management. The County has a Debt Advisory Committee to provide guidance and support related to all County debt issuance and management. The Debt Advisory Committee provides the County Administrator and the Board of Supervisors a review process to ensure that all potential debt obligations are evaluated for cost effectiveness, optimal structure and the ability to maintain post issuance compliance requirements.

See “ – Investment of County Funds” for a discussion of the County’s Investment Policy.

Fund Balance Reserve Policies

The County strives to create and maintain a prudent level of financial resources to protect against the need to reduce service levels or raise taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. Funds are assigned and balances are maintained to finance anticipated future one-time expenditure needs and to allow time for the County to respond to major actions of the State, the federal government, economic downturns or emergencies that materially affect the County’s financial position. The County Administrator, Auditor-Controller-Treasurer-Tax Collector and department staff review fund balances annually as part of the budget development process. This review includes evaluating projected growth of each Governmental fund. In cases where uses exceed growth, staff determine when fund balances are projected to be exhausted and plan accordingly. The full list of fund balances is presented to Board of Supervisors as part of the budget hearing materials, along with any recommendations regarding fund uses.

The County’s General Fund Reserve policy is to maintain a minimum level of unassigned General Fund Reserve balance equal to 1/12 (8.3%) or 1 month of annual General Fund revenues. Consistent with best practice recommendations from the Government Finance Officers Association of the United States and Canada, the County will strive to maintain a total unassigned General Fund Reserve balance equal to 1/6 or 2 months of annual General Fund operating revenues

As of the date of this Official Statement, the County is in compliance with all of its financial, reserve, and fund balance policies.

General Fund Financial Summary

The audited information contained in the following tables of revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity has been derived from the County’s audited financial statements for Fiscal Years 2018-19 through 2022-23.

Table No. 1
SONOMA COUNTY
General Fund Revenues, Expenditures and Fund Balances
for Fiscal Years 2018-19 through 2022-23
(Dollars in Thousands)

	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23
Revenues					
Taxes	\$290,632	\$304,404	\$328,163	\$346,578	\$362,949
Licenses, permits and franchise fees	22,612	21,813	20,481	22,403	23,959
Fines, forfeits and penalties	11,871	14,283	12,794	8,965	14,108
Use of money or property	9,656	7,817	6,120	(4,118)	10,880
Intergovernmental	101,765	112,511	179,400	183,234	134,492
Charges for services	46,172	45,933	46,760	50,029	51,262
Other	11,769	4,101	176,227	6,533	9,384
Total Revenues	494,477	510,862	769,945	613,624	607,034
Expenditures					
General government	78,107	106,872	185,876	198,952	115,634
Public protection	277,587	288,458	296,513	303,127	310,454
Public ways and facilities	223	174	208	1 86	63
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	355	294
Education	1,132	1,187	1,169	1,173	1,461
Recreation and cultural services	18,611	19,902	22,885	26,651	26,835
Capital outlay	7,775	6,689	11,983	9,513	14,240
Debt Service:					
Principal	1,936	2,174	2,345	3,785	6,232
Interest and fiscal charges	653	518	455	566	606
Total Expenditures	386,024	425,974	521,434	544,308	475,819
Excess (Deficiency) of Revenues Over (Under) Expenditures	108,453	84,888	248,511	69,316	131,215
Other Financing Sources (Uses):					
Transfers in	9,646	14,463	15,020	18,675	40,778
Transfers out	(78,299)	(96,442)	(83,270)	(198,462)	(115,546)
Lease inception	654	--	--	1,152	3,441
SBITA inception	--	--	--	--	180
Sale of capital assets	426	459	725	12,976	851
Total Other Financing Sources (Uses)	(67,573)	(81,520)	(67,525)	(165,659)	(70,296)
Net change in fund balances	40,880	3,368	180,986	(96,343)	60,919
Fund Balance – Beginning of Year	150,979	191,859	195,227	376,213	279,870
Fund Balance – End of Year	\$191,859	\$195,227	\$376,213	\$279,870	\$340,789

Source: Sonoma County Annual Comprehensive Financial Reports.

Table No. 2
SONOMA COUNTY
General Fund Balance Sheet as of June 30
for Fiscal Years 2018-19 through 2022-23
(Dollars in Thousands)

	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23
Assets					
Cash and investments	\$172,834	\$192,152	\$430,093	\$335,944	\$381,169
Cash and investments with trustee	30	17	33	32	61
Accounts receivable	1,400	951	16,519	14,118	13,914
Interest and other	14,451	17,703	6,966	-	11
Due from other funds	2,427	2,617	175	2,214	3,663
Inventories	170	82	30,245	1 49	127
Due from other governments	28,311	32,843	5,355	53,952	41,614
Advances to other funds	8,541	6,909	840	3,800	2,345
Lease receivables	-	-	-	5,810	5,585
Advances to other governments	2,762	42	2,927	-	-
Prepaid items and deposits	255	4,003	2,927	5,125	11,211
Total Assets	231,181	257,319	493,153	421,144	459,700
Liabilities					
Accounts payable and accrued liabilities and benefits	23,796	36,816	42,956	43,512	38,717
Due to other funds	-	451	-	1	2,173
Due to other governments	376	3,620	4,646	5,617	3,268
Advances from grantors & third parties	5,305	4,989	54,854	70,307	52,828
Deposits from others	877	914	1,899	1,954	1,932
Notes payable	-	-	840	-	-
Compensated absences	-	-	1,996	2,042	2,116
Other liabilities	2,797	234	293	2 94	294
Total Liabilities	33,151	47,024	107,484	123,727	101,328
Deferred Inflows of Resources					
Deferred amounts related to leases	-	-	-	5,752	5,446
Government-mandated transactions	-	-	104	86	-
Unavailable revenues	6,171	15,068	9,352	11,709	12,137
Total deferred inflows of resources	6,171	15,068	9,456	17,547	17,583
Fund Balances					
Nonspendable	8,966	11,037	8,457	9,074	13,683
Restricted	-	-	-	8 89	889
Committed	15	14	124	1 53	311
Assigned ⁽¹⁾	111,584	146,306	276,514	202,488	270,906
Unassigned ⁽²⁾	71,294	37,870	91,118	67,266	55,000
Total Fund Balances	191,859	195,227	376,213	279,870	340,789
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$231,181	\$257,319	\$493,153	\$421,144	\$459,700

(1) Increase in assigned Fund Balance in Fiscal Year 2020-21 is primarily due to the receipt of funds from PG&E in relation to settlements for liability in 2017 and 2019 wildfires.

(2) Unassigned fund balance decreased in Fiscal Year 2019-20 primarily due to spending around the COVID-19 pandemic and to a reclassification of some balance from Unassigned to Assigned to reflect Board direction. It increased in Fiscal Year 2020-21 due to faster than anticipated recovery of revenue streams following initial pandemic disruptions and receipt of state and federal disaster reimbursements.

Source: Sonoma County Annual Comprehensive Financial Reports.

Summary of Major Revenue Sources

The County derives its revenues from a variety of sources, including ad valorem property taxes, sales and use taxes, licenses, permits and franchises issued by the County, use of County money and property, aid from other governmental agencies, charges for services provided by the County and other miscellaneous revenues. For Fiscal Year 2022-23, the approximate percentages of the County's total General Fund revenues were allocated as set forth below in Table No. 3.

Table No. 3
SONOMA COUNTY
General Fund Major Revenues By Source

Taxes	59.79%
Intergovernmental	22.16
Charges for Services	8.44
Licenses, Permits and Franchise Fees	3.95
Fines, Forfeitures and Penalties	2.32
Use of Money and Property	1.79
Other	<u>1.55</u>
Total	100.0%

Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office.

County Budget

General. Each year, the County goes through a collaborative development process between the County Administrator's Office and departments/agencies to ensure the preparation of a structurally balanced budget for the coming fiscal year. All County departments compile and submit financial and program information to the County Administrator's Office where it is reconciled with other factors that may impact County operations. Examples of such factors are available financing, state and federal policies, changes in the cost of doing business, capital asset needs, and the Board of Supervisors annually established policy priorities. When the County Administrator has prepared a comprehensive and sound plan, conforming to the constraints of available financing and policy, it is made available to the public and the Board of Supervisors as the "Recommended Budget." The Recommended Budget document is provided at least two weeks before a series of budget hearings by the Board of Supervisors (generally held in June).

The County Administrator's Recommended Budget is complemented with supplemental budget adjustments, which represent programmatic or administrative account changes that are in alignment with Board direction but were not developed in time to be included in the Recommended Budget.

If a department needs to make reductions to ongoing services to meet financial constraints, such as reduced resources or expenses that are growing faster than resources, it may submit "Add Back Requests," which are requests to restore cuts made to balance their budgets, and to maintain baseline services.

In addition, some departments experienced needs to update their service delivery models; these changes are described in "Program Change Requests". Program Change Requests may or may not require additional funding; if new funding is needed, it may be through new revenue

sources, departmental fund balance, or requesting additional support from discretionary County sources, all of which is articulated in the request documentation.

During the Board of Supervisors' public budget hearings, they consider the Recommended Budget, supplemental adjustments, Add Back Requests, Program Change Requests, requests for funding submitted directly by Board members, and funding recommendations presented by the County Administrator's Office. The County Administrator prioritizes the Add Back and Program Change Requests. The Board of Supervisors deliberates all of these elements during the public Budget Hearings and approves the result of deliberations as part of the Adopted Budget.

The annual Adopted Budget document is published by October each year. Under state law, the Board of Supervisors has until October to adopt the budget.

Fiscal Year 2024-25 Budget. The Fiscal Year 2024-25 Budget (the "**Fiscal Year 2024-25 Budget**") was adopted by the Board of Supervisors at a meeting on June 14, 2024. The final adopted budget document and schedules are expected to be prepared compiled by the County Administrator's Office and the Office of the Auditor-Controller-Treasurer-Tax Collector in September and October, 2024. General Fund revenues are expected to increase by 6.3% above the levels in the Fiscal Year 2023-24 adopted budget. While tax revenues show a general slowing in growth rates over prior fiscal years, they still are anticipated to increase by 5.6% in the Fiscal Year 2024-25 Budget from the prior fiscal year's adopted budget. This increase is due in part to a stronger than expected performance in Fiscal Year 2023-24, with actual tax revenues estimated to come in 2.4% higher the adopted budget. Property taxes, which account for almost 90% of discretionary General Fund tax revenue, are heavily dependent on sales of property for growth beyond the 2% annual inflation adjustment allowed under Proposition 13. The rise in interest rates in recent years has slowed property sales dramatically. While property tax growth has remained robust due to delays in new assessment values entering the tax roll, it is expected that the rate of growth will slow in coming years. Property values have not seen a significant decline, however, and due to the impacts of Proposition 13, properties generally have an assessed value below their market value. This means that the County is unlikely to see an actual decrease in property taxes even if the rate of sales is low.

Comparison of General Fund Budget to Actual Performance

For purposes of comparison, Table No. 4 summarizes the General Fund portion of the County's final budgets and actual data for Fiscal Year 2022-23, and the General Fund portion of the County's final budget for Fiscal Year 2023-24 and adopted budget for Fiscal Year 2024-25.

Appropriations Limit

Section 7910 of the Government Code of the State of California requires the County to adopt a formal appropriations limit for each fiscal year. The County's adopted appropriations limit for Fiscal Year 2024-25 is \$834.0 million. Based on this, the appropriations limit is not expected to have any impact on the ability of the County to continue to budget and appropriate the Lease Payments as required by the Lease Agreement.

Table No. 4
SONOMA COUNTY
General Fund - Comparison of Budgeted and Actual
Revenues, Expenditures and Fund Balances
(Dollars in Thousands)

	Final Budget <u>2022-23</u>	Actual <u>2022-23</u>	Final Budget <u>2023-24</u>	Adopted Budget <u>2024-25</u>
Revenues:				
Taxes	\$359,959	\$362,949	\$378,523	\$387,894
Licenses, permit and franchise fees	22,658	23,959	25,076	24,127
Fines, forfeitures, and penalties	13,864	14,108	13,065	17,484
Use of money & property	4,669	10,880	5,200	7,989
Intergovernmental	118,360	134,492	166,700	137,256
Charges for services	55,382	51,262	57,953	59,196
Other	4,018	9,384	5,714	4,510
Total Revenues	<u>578,910</u>	<u>607,034</u>	<u>652,230</u>	<u>638,456</u>
Total Expenditures ⁽¹⁾	591,929	504,637	616,747	620,089
Excess (deficiency) of Revenue Over (Under) Expenditures	(13,019)	102,397	35,483	18,367
Other Financing Sources (Uses)				
Transfers in ⁽²⁾	200,576	40,778	169,461	105,201
Transfers out ⁽²⁾	(296,492)	(115,546)	(273,231)	(187,502)
Lease inception	3,441	3,441	-	-
Sale of capital assets	489	851	-	-
SBITA inception	180	180	-	-
Total Other Financing Sources (Uses)	<u>(91,806)</u>	<u>(70,296)</u>	<u>(103,770)</u>	<u>(82,300)</u>
Special item	217	-	-	-
Net change in fund balance	<u>(104,608)</u>	<u>32,101</u>	<u>(68,287)</u>	<u>(63,933)</u>
GAAP basis difference – encumbrance		28,818		
Beginning Fund Balance		279,870		
Ending Fund Balance		<u>\$340,789</u>		

(1) Expenditures are presented in the aggregate because of differences between budget and audit line-item categorization.

(2) Transfers in and Transfers out include all transfers within the budget, but exclude transfers within a fund for actuals
Sources: Sonoma County Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2023; Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office.

Property Taxes

The County assesses property values and collects and distributes secured and unsecured property taxes to the County, cities, school districts and other special districts within the County area. For information on property assessed valuations generally, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below. California law exempts \$7,000 of the full cash value of a qualifying owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State.

Property Assessment Appeals. An assessee of locally-assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the State Board of Equalization ("SBE"), respectively. The assessee of SBE-assessed property or locally-assessed

personal property, the valuation of which are subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally-assessed real property by Article XIII A, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e. the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally-assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the two percent inflation factor allowable under Article XIII A, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Pursuant to Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value, if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value pursuant to Section 51(b), commonly referred to as "Proposition 8" appeals, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In fiscal years subsequent to a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel's compounded base assessment value.

Historical Assessed Values and Proposition 8. The assessed valuation of property within the County, excluding exempt property, for the last ten years is shown in Table No. 5, followed by a description of assessments subject to Proposition 8 for Fiscal Years 2018-19 through 2024-25 in Table No. 6.

Table No. 5
SONOMA COUNTY
Assessed Valuation
Fiscal Years 2013-14 through 2022-23
(Dollars in Thousands)

<u>Fiscal Year</u>	<u>Assessed Valuation Secured Roll</u>	<u>Assessed Valuation Unsecured Roll</u>	<u>Exemptions</u>	<u>Total Assessed Valuation</u>
2013-14	\$68,023,890	\$2,402,413	(\$2,740,545)	\$67,685,758
2014-15	73,289,559	2,476,588	(2,916,461)	72,849,686
2015-16	78,257,731	2,681,992	(3,116,014)	77,823,709
2016-17	82,727,351	2,659,027	(3,171,082)	82,215,296
2017-18	85,835,554	2,758,806	(3,139,460)	85,454,900
2018-19	90,472,427	2,908,430	(3,212,531)	90,168,326
2019-20	96,098,191	3,241,273	(3,502,462)	95,837,002
2020-21	101,928,048	3,538,887	(3,786,024)	101,680,911
2021-22	105,018,299	3,700,904	(3,724,094)	104,995,109
2022-23	112,010,885	3,934,834	(3,929,109)	112,016,610

Source: Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office.

Table No. 6
SONOMA COUNTY
Proposition 8 Declines in Local Assessed Valuation
Fiscal Years 2018-19 through 2022-23

<u>Fiscal Year</u>	<u>Total AV⁽¹⁾</u>	<u>Assessments Subject to Proposition 8</u>	<u>% Total</u>
2018-19	\$90,168,326	7,927	4.6%
2019-20	95,837,002	6,641	3.8
2020-21	101,680,911	5,970	3.4
2021-22	104,995,109	5,576	3.1
2022-23	112,016,610	2,626	1.5
2023-24	114,989,405	2,398	1.3
2024-25	120,953,335	2,287	1.2

(1) Dollars in thousands. Rounded to nearest thousand dollars.
Source: Sonoma County Assessor's Office.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real property and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing state-assessed property and real property having a tax lien which is sufficient, in the opinion of the County assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll”.

Property taxes on the secured roll are levied on January 1 and are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid, become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments, plus a \$10.00 penalty is added to the second installment. Property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on July 1 of the following fiscal year. Such property may thereafter be redeemed by payment of the penalty of 1.5% per month to the time of redemption, together with the defaulted taxes, delinquent penalties, costs and a redemption fee. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to auction sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are levied January 1 and are billed in mid-July and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) 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 lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record 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 interests belonging or assessed to the assessee.

The following table shows a 5-year delinquency history for property taxes collected by the County on the secured roll as of June 30, 2023.

**Table No. 7
SONOMA COUNTY
Property Tax Delinquencies- Secured Roll
Fiscal Years 2018-19 through 2022-23**

Fiscal Year	Uncollected within the Fiscal Year of the Levy		First year Delinquencies (%)	Amount of Total Cumulative Uncollected Taxes
	Ended June 30,	Amount		
2019		\$7,466,781	0.81%	\$13,562,952
2020		11,698,952	1.17	18,654,959
2021		10,557,839	1.04	19,021,264
2022		10,829,475	1.11	19,980,485
2023		13,189,731	1.30	22,751,684

Source: Sonoma County, Auditor-Controller Treasurer-Tax Collector's Office.

County Tax Loss Reserve Fund (Teeter Plan)

Beginning in Fiscal Year 1978-79, Article XIII A of the State Constitution and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

The Board of Supervisors of the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”) in 1993, as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Generally, the Teeter Plan provides for secured roll taxes to be distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided. In connection with its adoption of the Teeter Plan, the County advances to the participating taxing agencies within the County an amount equal to 95% of the total then-prior years’ delinquent property taxes on the secured and supplemental roll levy.

Pursuant to law, the County is required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax-defaulted property (i.e., if the sale price of the property is less than the amount owed). The appropriate amount in the fund is determined by one of two methods: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. Any amount in excess of the 1% or 25% level determined pursuant to either method of calculation may be credited to the County’s General Fund. The County currently uses the first

alternative, but as a matter of policy maintains the tax losses reserve fund at least 1.25% of the total levy instead of 1%.

All taxing agencies within the County are participating in the Teeter Plan; however, it does not cover taxes supplemental to the basic countywide 1% tax rate, such as taxes to support voter-approved indebtedness. The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County, the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls in that agency.

Largest Taxpayers

The ten largest taxpayers within the County, as shown on the Fiscal Year 2023-24 Tax Roll, and the amount of their respective property tax levy for all taxing jurisdictions within the County are shown below. These top 10 taxpayers account for approximately 4.27% of the property taxes levied within the County. Total 1% property taxes levied on the Tax Roll for Fiscal Year 2023-24 is approximately \$1,348,305,000. See “– Property Taxes.”

**Table No. 8
SONOMA COUNTY
Top Ten Property Taxpayers Based on Assessed Valuation
Fiscal Year 2023-24
(Dollars in Thousands)**

	<u>Taxpayer Name</u>	<u>Type of Business</u>	<u>Property Tax Amount</u>	<u>% of Total County Property Taxes</u>
1.	Pacific Gas & Electric Co.	Utilities	\$24,482	1.82%
2.	Geysers Power Co. LLC	Utilities	16,764	1.24
3.	Keysight Technologies Inc.	Instruments-Measuring	3,953	0.29
4.	Foley Family Farms LP	Agriculture	2,831	0.21
5.	Enclave Apartments LLC	Apartments	2,357	0.17
6.	Pacific Bell Telephone Co.	Utilities	1,778	0.13
7.	Jackson Family Investments LLC	Real Estate Operations	1,619	0.12
8.	Foley Family Wines Inc	Agriculture	1,300	0.10
9.	Gallo Vineyards Inc.	Agriculture	1,246	0.09
10.	CWI-Fairmont Sonoma Hotel	Hotel	1,229	0.09

Source: Sonoma County, Auditor-Controller-Treasurer-Tax Collector's Office.

Sales and Use Taxes

General sales and use taxes (including Proposition 172) contributed \$85.8 million to General Fund revenues in Fiscal Year 2022-23, equating to approximately 14% of total General Fund revenues for such Fiscal Year. A sales tax is imposed on retail sales or consumption of

personal property. The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current sales tax rate in the County is 8.50%.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State of California. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State of California where the use will occur within the State of California. The Sales Tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's Publication No. 61 entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the California Department of Tax and Fee Administration ("CDTFA") website at www.cdtfa.ca.gov. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the County and is not incorporated in this Official Statement by reference.*

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the CDTFA. Retailers engaged in business in California must register with the CDTFA and pay the state's sales tax, which applies to all retail sales of goods and merchandise except those sales specifically exempted by law. The use tax generally applies to the storage, use, or other consumption in California of goods purchased from retailers in transactions not subject to the sales tax. Use tax may also apply to purchases shipped to a California consumer from another state, including purchases made by mail order, telephone, or Internet. The sales and use tax rate in a specific California location has three parts: the state tax rate, the local tax rate, and any district tax rate that may be in effect. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, CDTFA projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the County on a monthly basis. The amount of each monthly advance is based upon CDTFA's quarterly projection. During the last month of each quarter, CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter. According to CDTFA, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts

for growth, in order to establish the estimated base amount. CDTFA disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 27% of the 90% distribution, while the third advance represents 46%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed with the third payment. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

In June 2018, the United States Supreme Court published its decision in *South Dakota v. Wayfair* (the "**Wayfair Decision**"), in which the Supreme Court held that sales to a customer in a particular state alone are sufficient to create a nexus for purposes of determining whether a seller is required to collect sales taxes of the applicable state. Prior to the Wayfair Decision, courts had interpreted the dormant Commerce Clause of the United States Constitution to require that a company have physical nexus in a state in order for the seller to be liable for the collection of that state's sales tax. Physical nexus is defined as having either property or payroll in the state, including a resident employee working from home or inventory stored in that state.

The State has issued guidance in response to the Wayfair Decision pursuant to Assembly Bill 147 ("**AB 147**"). Under AB 147, beginning April 1, 2019, retailers located outside of the State are required to register with the CDTFA, collect the California use tax, and pay the tax to the CDTFA based on the amount of their sales into California, even if they do not have a physical presence in the state. The new collection requirements apply to retailers meeting certain conditions, including that during the preceding or current calendar year the retailer had total combined sales of tangible personal property for delivery in the State of more than \$500,000. The new collection requirements apply to taxable sales of tangible personal property to California consumers on and after April 1, 2019, and are not retroactive. AB 147 also imposes collection obligations on retailers that contract with sellers to sell goods and services on their on-line platforms (i.e. "marketplace facilitators") commencing October 1, 2019. The County is unable to predict the impact that the Wayfair Decision will have on its sales tax revenues.

Outstanding General Fund Debt and Lease Obligations

The County currently has outstanding general fund long-term debt and lease obligations described below. The County has never defaulted on the payment of principal of or interest on any of its indebtedness. The County has complied with all significant bond covenants relating to reserve and sinking fund requirements, proofs of insurance, and budgeted revenues and maintenance costs.

Taxable Pension Obligation Bonds, Series 2010A. The County issued its Taxable Pension Obligation Bonds, Series 2010A in the original principal amount of \$289,335,000, to prepay a portion of the County's then-current unfunded actuarial accrued liability. As of June 30, 2023, approximately \$204,945,000 in principal amount remained outstanding, with a final maturity of December 1, 2029.

2017 Certificates of Participation (General Services Energy). The County issued the 2017 COPs in the original principal amount of \$17,225,000, to refund a prior series of certificates of participation. As of June 30, 2023, approximately \$6,975,000 in principal amount remained outstanding, with a scheduled final maturity of August 1, 2026.

Equipment Lease/Purchase Agreement. In October 2023 the County entered into a Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corporation to finance the lease and purchase of energy conservation equipment. The Master Equipment Lease/Purchase Agreement allows that the County to enter into multiple leases over time, although to date only one lease has been entered into, with an initial principal amount of approximately \$1,775,500 and a scheduled final maturity of October 1, 2043.

Capital Lease Obligations. As of June 30, 2023 the County was the lessee for several noncancellable leases for building space, land, and machinery & equipment. The lease terms expire at various times through Fiscal Year 2054-55. Monthly payments include both fixed and variable payments. Variable payments are adjusted based on the Consumer Price Index. At June 30, 2023, the value of the lease liability was approximately \$83,989,000. Lease interest rates range from 0.32% to 3.97%. The future principal and interest lease payments as of June 30, 2023 are as follows:

June 30	Governmental Activities (Dollars in Thousands)	
	Principal	Interest
2024	\$10,343	\$1,550
2025	9,881	1,395
2026	9,418	1,244
2027	8,671	1,095
2028	6,632	962
2029-2033	20,632	3,351
2034-2038	10,417	1,804
2039-2043	4,322	827
2044-2048	1,823	443
2049-2053	1,373	211
2054-2055	477	13
Total value of minimum lease payments	\$83,989	\$12,895

Source: Sonoma County.

Subscription-Based Information Technology Arrangements. The County has entered into several subscription-based information technology arrangements (“**SBITAs**”) for data storage, training, enterprise planning, communication, ballot counting and other software systems. SBITA terms expire at various times through Fiscal Year 2028-29. Payments include both interest and principal. The initial SBITA liability was recorded in the amount of approximately \$6,482,000 during Fiscal Year 2022-23. As of June 30, 2023, the value of the SBITA liability was approximately \$4,122,000. SBITA interest rates range from 1.89% to 3.10%.

The future minimum obligations under subscription-based information technology arrangements as of June 30, 2023, are as follows:

June 30	Governmental Activities (Dollars in Thousands)	
	Principal	Interest
2024	\$2,258	\$87
2025	1,732	40
2026	54	3
2027	25	2
2028	26	1
2029	27	1
Total value of minimum lease payments	\$4,122	\$134

Pension Benefits

Plan Description. The Sonoma County Employees' Retirement Association ("SCERA") was established January 1, 1946, under the provisions of the 1937 County Employees Retirement Act. SCERA is a cost-sharing, multiple-employer Defined Benefit Pension Plan ("Plan"), legally separate entity from the County.

All General and Safety employees hired on or after January 1, 2013, with the exception of employees who are eligible for reciprocity with another qualified California retirement system, are part of a tier called Plan B. General and Safety employees hired before January 1, 2013 are part of the original Plan called Plan A.

Plan members include employees in a permanent position of at least half time for employees of the County of Sonoma, Sonoma County Transportation Authority, Sonoma Valley Fire District, and Superior Courts of California. Plan members are classified as either General or Safety (e.g., eligible Sheriff, Fire, and Probation Department employees). Membership becomes effective on the first day of service. The Plan provides benefits as defined by the law upon retirement, death, or disability of members and may be amended by the Board of Supervisors and then shall be implemented by the Board of Retirement.

At December 31, 2023, the date of the most recent actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries currently received benefits	5,760
Current active members	4,242
Inactive vested members	1,765
Total	<u>11,767</u>

Source: SCERA Actuarial Valuation and Review as of December 31, 2023.

Plan Benefits. The tiers and the basic provisions are listed in the following table:

Tier Name	Membership Effective Date	Basic Provisions	Final Average
<i>Plan A</i>			
General Membership	Before 1/1/2013	3% at 60	Highest 1-year
Safety Membership	Before 1/1/2013	3% at 50	Highest 1-year
<i>Plan B</i>			
General Membership	1/1/2013	2.5% at 67	Highest 3-year
Safety Membership	1/1/2013	2.7% at 57	Highest 3-year

Upon completing five years of creditable service, employees have non-revocable rights to receive benefits attributable to employer’s contributions, provided employee contributions have not been withdrawn. Plan A members are eligible to retire at age 50 with ten years of service from the date of membership or thirty years of service (twenty years of service for safety members) regardless of age. Plan B General members are eligible to retire at age 52 with five years of service; Plan B Safety members are eligible to retire at age 50 with five years of service. Members in all plans are eligible to retire at age 70, regardless of years of service.

Benefits are based upon a combination of age, years of service, final compensation and the benefit payment option selected by the member. For Plan A members, final compensation is defined as the highest 12 consecutive months of compensation earnable. The maximum benefit payable to a member or beneficiary is 100% of the final compensation. For Plan B members, final compensation is based on the highest 36 months of pensionable compensation. Additionally Plan B members are limited in the amount of compensation used to calculate a benefit to 100% of the Social Security taxable wage base limit.

The table below summarizes the actuarial methods and assumptions of Plan A and Plan B for the actuarial valuation and measurement date of December 31, 2023:

Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	6.75%
Projected salary increases – General	3.55% to 8.00%
Projected salary increases – Safety	4.00% to 10.50%
Inflation	2.50%
Cost of living adjustments	None

Source: SCERA Actuarial Valuation and Review as of December 31, 2023.

Contributions and Funding Policy. At June 30, 2023, the County reported a net pension liability of approximately \$347,661,000 and a net pension asset of approximately \$249,000 for the Sonoma County Fair and Exposition, Inc. (the Fair) for its proportionate share of the net pension asset/liability, and discrete component units reported a net pension liability of approximately \$30,000,000 for their proportionate share. The net pension asset/liability was measured as of December 31, 2022 and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension asset/liability was based on a projection of the County’s long-term share of contributions to the pension plan relative to the projected contributions of all Plan participants,

actuarially determined. At December 31, 2022, the County's proportion was 84.09%, a 17.26% decrease compared to December 31, 2021, and the discrete component unit's proportion was 7.26%, an decrease of 2.26%, compared to December 31, 2021.

For the year ended June 30, 2023, the County recognized a pension expense of approximately \$89,057,000 and the discrete component units recognized a pension expense of approximately \$7,515,000. At June 30, 2023, the County and discrete component units reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities		
Differences between expected and actual experience	\$10,594	\$(5,157)
Changes in assumptions	39,658	-
Net difference between projected and actual earnings on plan investments	133,189	-
Changes in proportion and differences between County contributions and proportionate share of contributions	29,180	(32,410)
Contributions subsequent to the measurement date	<u>41,894</u>	<u>-</u>
Total Governmental Activities	254,515	(37,567)
Business-Type Activities		
Differences between expected and actual experience	109	(161)
Changes in assumptions	556	-
Net difference between projected and actual earnings on plan investments	1,343	(1,154)
Changes in proportion and differences between County contributions and proportionate share of contributions	321	(445)
Contributions subsequent to the measurement date	495	-
Total Business-Type Activities	<u>2,824</u>	<u>(1,760)</u>
Total Primary Government	\$257,339	\$(39,327)
Discrete Component Units		
Differences between expected and actual experience	780	(638)
Changes in assumptions	2,868	-
Net difference between projected and actual earnings on plan investments	12,275	1
Changes in proportion and differences between County contributions and proportionate share of contributions	3,070	(2,848)
Contributions subsequent to the measurement date	<u>2,600</u>	<u>-</u>
Total Discrete Component Units	\$21,593	\$(3,485)

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner. Contributions made subsequent to the measurement date are recorded as deferred outflows of resources related to pensions and will be recognized as a reduction of net pension liability in the year ended June 30, 2024 totaling approximately \$29,757,000 for the County and approximately \$2,600,000 for discrete component units. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-Type Activities	Total Primary Government	Discrete Component Units
2024	\$15,625	\$(102)	\$15,523	\$1,522
2025	48,301	19	48,320	4,301
2026	27,158	89	27,247	2,287
2027	83,970	563	84,533	7,397
Total	\$175,054	\$569	\$175,623	\$15,507

The following table shows the Plan's unfunded actuarial accrued liability for the year ended December 31, 2023.

1. Unfunded actuarial accrued liability at beginning of year	\$271,592,000
2. Normal cost at middle of year	89,072,000
3. Expected employer and member contributions	(131,678,000)
4. Interest to end of year	17,038,000
5. Expected unfunded actuarial accrued liability at end of year (Sum of 1-4)	\$246,024,000
6. Changes due to:	
a. Investment return greater than expected, after asset smoothing	(53,266,000)
b. Actual contributions less than expected under funding policy	5,206,000
c. Additional UAAL contributions for the County	(4,450,000)
d. Over-collection of contributions for SVFD	(62,000)
e. Individual salary increases greater than expected	24,788,000
f. Other net experience (gain)/loss	11,300,000
g. Total changes (Sum of 6a – 6f)	\$(16,484,000)
7. Unfunded actuarial accrued liability at end of year (5 +6g)	\$229,540,000

Source: SCERA Actuarial Valuation and Review as of December 31, 2023.

The portion of the Plan's unfunded actuarial accrued liability for the year ended December 31, 2023 that is attributable to the County is \$208,367,000.

Funded Status. The following table sets forth the schedule of funding for the Plan for the calendar years ended December 31, 2019 through December 31, 2023. *The following information was provided to the County by SCERA and has not been reviewed for accuracy or audited by the County. SCERA is responsible for the assumptions, estimates and data that are used to create the funded ratios.*

Valuation Date (December 31)	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) – (a)	Funded Ratio (a) / (b)
2019	\$2,811,292,000	\$3,143,323,000	\$332,031,000	89.4%
2020	2,981,688,000	3,264,403,000	282,715,000	91.3
2021	3,215,505,000	3,460,051,000	244,546,000	92.9
2022	3,311,174,000	3,582,766,000	271,592,000	92.4
2023	3,500,687,000	3,730,227,000	229,540,000	93.8

Source: SCERA Actuarial Valuation and Review as of December 31, 2023.

See “APPENDIX C – Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2023 – Note 8 – Employees’ Retirement Plans” for additional information on the County’s pension plan obligations.

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset). The following presents the governmental activities, business-type activities and discrete component units proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75%, as well as what the proportionate share of the net pension liability (asset) would be if calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate.

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Governmental Activities	\$707,847,000	\$344,382,000	42,506,000
Business-Type Activities	7,555,000	3,030,000	(726,000)
Total Primary Government	<u>\$715,402,000</u>	<u>\$347,412,000</u>	<u>\$41,780,000</u>
Discrete Component Units	61,507,000	30,000,000	3,832,000
Total	<u>\$776,909,000</u>	<u>\$377,412,000</u>	<u>\$45,612,000</u>

Other Post-Employment Benefits

The County maintains an Other Postemployment Healthcare Plan (“**OPEB Plan**”). The OPEB Plan is a single employer defined benefit plan which is administered by the County. The authority to establish and amend benefit provisions of the OPEB Plan resides with the County Board of Supervisors.

The County established an OPEB trust with the Public Agency Retirement Services (“**PARS**”) in 2008 to accumulate resources to fund future benefit payments of the OPEB Plan. The OPEB trust is reported in the County of Sonoma’s Annual Comprehensive Financial Report.

In accordance with a County Board of Supervisors approved salary resolution and memorandum of understanding, the OPEB Plan includes unrepresented and represented employees hired prior to January 1, 2009, with at least 10 consecutive years of regular full-time paid employment. The OPEB Plan was closed to new participants on January 1, 2009.

Retirees and the County share in the cost of monthly premiums for medical coverage. The County contribution toward General plan member premiums is a \$500 per month maximum contribution. Retired Safety and Law Enforcement Management receive a County contribution of \$500 per month to the Deputy Sheriff Association Retiree Medical Trust. Retirees may enroll eligible dependents in the County medical plan elected by the retiree, but the retiree is responsible for all premium costs in excess of the County’s contribution. In the case of a Safety employee’s line-of-duty death pursuant to the California labor code, dependents of the deceased employee are eligible to receive County-subsidized medical coverage. In addition to the monthly contribution, the County reimburses General retirees hired prior to January 1, 2009, a fixed amount of \$96.40 per month for Medicare Part B premiums. Safety and Law Enforcement Management retirees are not eligible for the Medicare Part B reimbursement.

At June 30, 2023, the County’s governmental activities, business-type activities and discrete component units reported net OPEB liabilities of \$145,100,000, \$1,991,000 and \$13,942,000 respectively.

The funded status of the plan for Fiscal Year 2022-23 is as follows:

<u>Fiscal Year</u> <u>(Measurement Date)</u>	<u>Fiscal Year</u> <u>2022-23</u> <u>(June 30, 2023)</u>
Total OPEB Liability (TOL)	\$263,774,000
Fiduciary Net Position (FNP)	<u>(123,833,000)</u>
Net OPEB Liability (NOL)	<u>\$139,941,000</u>
Funded Status (FNP/TOL)	46.95%

Source: County of Sonoma.

Direct and Overlapping Debt

Contained within the County are overlapping local agencies providing public services which have issued general obligation Certificates and other types of indebtedness. Direct and overlapping bonded indebtedness is shown in the following table.

**Table No. 9
SONOMA COUNTY
Statement of Direct and Overlapping Debt As of June 1, 2024**

2023-24 Assessed Valuation: \$116,501,848,581

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/24</u>
Sonoma County Joint Community College District	98.911%	\$ 363,117,118
Napa Joint Community College District	0.847	589,662
Cotati-Rohnert Park Unified School District	100.000	155,033,187
Healdsburg Unified School District and School Facilities Improvement District No. 1	100.000	105,859,966
Sonoma Valley Unified School District	100.000	135,463,881
Windsor Unified School Districts	100.000	86,920,956
Other Unified School District	Various	95,229,810
Petaluma City Joint Union High School District	99.175	56,341,318
Santa Rosa High School District	100.000	247,371,000
West Sonoma County Union High School District	100.000	78,536,954
Bellevue Union School District	100.000	53,241,009
Old Adobe Union School District	100.000	54,531,451
Rincon Valley Union School District	100.000	39,101,522
Santa Rosa School District	100.000	77,724,000
Other School Districts	Various	190,162,717
Palm Drive Health Care District General Obligation and Parcel Tax Bonds	100.000	11,286,138
Sonoma Valley Healthcare District	100.000	20,453,000
Other Special Districts	100.000	2,380,000
Community Facilities Districts	100.000	52,175,644
1915 Act Bonds (Estimate)	100.000	<u>23,969,745</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,849,489,078
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Sonoma County General Fund Obligations	100.000%	\$ 4,920,000 ⁽¹⁾
 Sonoma County Pension Obligation Bonds	 100.000	 183,880,000
Sonoma County Office of Education Certificates of Participation	100.000	2,637,891
School District General Fund Obligations	Various	25,014,120
City of Santa Rosa General Fund and Pension Obligation Bonds	100.000	14,915,000
Other City General Fund Obligations	100.000	34,193,846
Fire Protection District General Fund Obligations	100.000	<u>660,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$266,220,857
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Successor Agency to Healdsburg Redevelopment Agency	100.000%	\$ 30,319,700
Successor Agency to Petaluma Redevelopment Agency	100.000	48,780,000
Successor Agency to Rohnert Park Redevelopment Agency	100.000	18,885,725
Successor Agency to Sonoma City Redevelopment Agency	100.000	26,100,000
Other Successor Agencies	100.000	<u>57,380,954</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$181,466,379
 COMBINED TOTAL DEBT		 \$2,297,176,314 ⁽²⁾

(1) Excludes the Certificates.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics Inc.

Investment of County Funds

State law requires that all moneys of the County, school districts, and certain special districts be held in the County Treasury by the Treasurer. The Treasurer has authority to implement and oversee the investment of such funds in the County Investment Pool (the “**Pool**”) in accordance with section 53600 et seq. of the California Government Code. The Treasurer accepts funds only from agencies located within the County. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and federal funding and other fees and charges. Each depositor is assigned a distinct fund number within the County General Ledger. Cash represented by fund balances is commingled in the portfolio; no funds are segregated for separate investment.

Authorized investments are required to match the general categories established by Sections 53601 et seq., 53635 et seq., and 16429.1 et seq. of the California Government Code; including financial futures and financial options contracts in any of the specified categories as established by California Government Code Section 53601.1.

Decisions on the investment of funds in the Pool are made by the Treasurer in accordance with established policy guidelines. In the County, investment decisions are governed by California Government Code Sections 53601 and 53635, et seq., which govern legal investments by local agencies in the State, and by a more restrictive investment policy (the “**Investment Policy**”) proposed by the Treasurer and monitored by the Treasury Oversight Committee on an annual basis. The Investment Policy sets forth the manner in which the Pool is to be invested. The duty of the Treasurer is to safeguard all public funds which by law are managed by the Treasurer. The Pool must maintain sufficient cash to meet the disbursement needs of all participating agency depositors. Prudence must be used in obtaining a competitive yield while maintaining the value and availability of the cash involved. The Investment Policy is more restrictive than State law in regard to types of securities authorized for investment.

The Investment Policy allows for purchase of a variety of securities with limitations as to exposure, maturity and rating, varying with each type of security. The composition of the portfolio will change over time as old investments mature or are sold, and as new investments are made. The market value of certain types of securities fluctuate, but the County does not anticipate that it will realize any losses with respect to any such investments since the County intends to hold such investments until their maturity.

The following table reflects certain limited information with respect to the County Pool as of March 31, 2024. As described above, a wide range of investments is authorized under state law. The value of the various investments in the County Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the County Pool will not vary significantly from the values described below. In addition, the values specified in the following tables were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on the date indicated, the County Pool necessarily would have received the values specified. The County expects that the County Pool, when combined with expected receipts from taxes and other sources, is sufficiently liquid to cover all anticipated cash flow needs for the Pool participants over the next six months.

The investments in the County Pool as of March 31, 2024 are set forth in the following table.

**Sonoma County Investment Pool Information
As of March 31, 2024**

<u>Investment Type</u>	<u>Market Value</u>	<u>% of Pool</u>
US Treasury Notes	\$244,802,100	6.6%
US Agency Bonds	1,192,301,969	32.8
Supranational Bonds	285,626,038	7.9
Corporate Bonds	935,352,881	25.1
Certificates of Deposit	333,292,915	8.9
Commercial Paper	200,607,900	5.4
Municipal Bonds	347,211,348	9.6
Mutual Funds	73,520,261	2.0
Cash	47,029,803	1.3
SCEIP Notes	<u>15,181,813</u>	<u>0.4</u>
TOTALS	<u>\$3,674,927,027</u>	<u>100.0%</u>

Source: County of Sonoma.

The Investment Policy may be changed at any time at the discretion of the Board of Supervisors (subject to the state law provisions relating to authorized investments) and as the California Government Code is amended. There can be no assurance that State law and/or the Investment Policy will not be amended in the future to allow investments that are currently prohibited, or that the stated objectives of the County with respect to investments will not change.

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural and human-caused disasters; and medical malpractice. The County has established an internal service fund to account for and finance risks for workers' compensation, general liability, health insurance and medical malpractice. The County is self-insured for unemployment claims and reimburses the State for all amounts paid. For general liability and workers' compensation claims, excess coverage is provided by the Public Risk Innovation, Solutions, and Management ("PRISM") (formerly known as California State Association of Counties Excess Insurance Authority CSAC-EIA), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its members, which include cities and counties in California, as well as numerous school districts, special districts, housing authorities, fire districts and other Joint Powers Authorities. PRISM's Board of Directors consists of representatives from its members.

The County retains the risk for the first \$300 of an individual claim for workers' compensation, and \$1,000 for a general liability claim. Amounts in excess of \$300 per occurrence for workers' compensation claims with statutory limits are covered through participation in PRISM's Excess Worker's Compensation Program. The County is covered under PRISM's Excess Liability Insurance Program for \$1,000 to \$35,000 per occurrence for liability claims.

The County maintains property coverages ranging from "All Risk" of physical loss or damage (including flood and, for certain structures only, earthquake coverage) through

participation in PRISM's Property Program with the following limits and deductibles: \$600,000 limit (shared) per occurrence and \$50 deductible for "All-Risk", \$225,000 limit (shared) per occurrence and \$100 deductible for flood (limits vary depending on flood zones) and \$665,000 (shared) with a deductible of 2% of the building value (\$100 minimum) for earthquake. Boiler and machinery coverage is included in the All-Risk coverage.

The County also purchases coverage from PRISM's medical malpractice program with up to \$21,500 per event coverage and a \$25 deductible. Funding for the purchased coverage is paid for by the beneficiary departments. The estimated liability in the internal services fund totaled zero as of June 30, 2023.

The Sonoma County Health Plan provides self-insured medical plan options for County employees in addition to fully insured plans. The County retains the risk for the first \$275 of a health insurance claim with unlimited stop-loss coverage and no lifetime maximum per individual.

The governmental and certain proprietary fund types contribute amounts to the internal service fund based on actuarially determined estimates of the ultimate settlements. Such estimates are generally based upon a 70% confidence level. Contributions for the fiscal year ended June 30, 2023, totaled \$45,658, which is recorded in the internal service fund as operating revenue. As of June 30, 2023, the estimated liability in the internal service fund totaled \$68,296, of which \$15,990 is estimated to be payable in the ensuing year. The remaining \$52,306 is classified as long-term, self-funded insurance payable in the internal service fund.

A summary of activity of the claims liability is as follows:

Fiscal Year	Balance June 30, 2020	Balance June 30, 2021	Balance June 30, 2022	Balance June 30, 2023
Unpaid claims liability at the beginning of the year	\$44,268	\$52,870	\$56,790	\$60,628
Incurred Claims	26,334	24,331	23,061	32,185
Claim Payments	(17,732)	(20,411)	(19,223)	(24,517)
Unpaid claims liability at the beginning of the year	\$52,870	\$56,790	\$60,628	\$68,296

Source: County of Sonoma.

The County also purchases the following additional insurance to augment and/or cover risks that are excluded from the above listed coverages: Aircraft Liability Insurance, Airport Liability Insurance, Cyber Liability Insurance, Fiduciary Liability Insurance, Employee Theft Insurance, Marina Insurance, Pollution Liability Insurance, and Watercraft Liability Insurance.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the Certificates. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Certificates. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Certificates

The obligation of the County to make the Lease Payments does not constitute a debt of the County or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated, subject to abatement, under the Lease Agreement to pay the Lease Payments from any source of legally available funds. The County has covenanted in the Lease Agreement that it will take such action as may be necessary to include all rental payments due under the Lease Agreement in its annual budgets and to make necessary annual appropriations for all such rental payments. The County is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments.

The County has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Lease Payments may be decreased. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other activities before making Lease Payments and other payments due under the Lease Agreement.

The County's ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of these provisions could result in an inability of the County to pay the Lease Payments when due. See "RISK FACTORS" and "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

Eminent Domain

If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property or any part thereof is taken temporarily, under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (2) there will be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the County and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property.

Abatement

The Lease Agreement provides that the amount of Lease Payments will be subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the County of the Leased Property or any portion thereof. The amount of the Lease Payments under such circumstances shall not be less than the amount of the unpaid Lease Payments required to pay principal and interest with respect to the Certificates, as scheduled, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Leased Property not damaged or destroyed, in which event

the Lease Payments shall be abated such that they represent said fair rental value. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the County, in the Lease Agreement, waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

However, there will be no abatement of Lease Payments to the extent that the proceeds of an eminent domain or insurance award are available to pay Lease Payments that would otherwise be abated, or to the extent that moneys are available in the Lease Payment Fund, it being declared in the Lease Payment Fund that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

No Debt Service Reserve Fund

Neither the Corporation nor the County will fund a debt service reserve fund for the Certificates.

Limited Recourse on Default; No Acceleration

If the County defaults on its obligation to make Lease Payments, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The County will only be liable for Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments.

Limitation on Remedies; Bankruptcy

The rights of the Owners of the Certificates are subject to the limitations on legal remedies against cities and counties in the State, including State constitutional limits on expenditures and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest, by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors' rights, by equitable principles, by the exercise of judicial powers in appropriate cases and by the exercise by the federal and State governments of their sovereign powers. The opinions of counsel, including Special Counsel, delivered in connection with the Certificates will be so qualified. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the County, there are no involuntary petitions in bankruptcy. Bankruptcy proceedings, if initiated, or the exercise of powers by the federal or state government, could subject the owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise and consequently may entail risk or delay, limitation or modification of their rights.

Natural and Other Disasters

The County, like all California communities, may be subject to unpredictable seismic activity, wildfires, flood, or other natural or man-made disasters. Seismic activity, wildfires, floods and other natural disasters represents a potential risk for damage to buildings, roads, bridges and other property within the County. Such calamities may adversely affect economic activity in the County or require the County to expend funds to counteract the effects of such calamities, which could have a material adverse effect on the County's finances. Additionally, a calamity adversely

affecting the Leased Property could have a negative impact of the County's use of such property, which could result in abatement of Lease Payments. See "– Abatement" above.

Seismic. The County, like much of California, is subject to seismic activity that could result in interference with its right to use and possession of the Leased Property. The three faults likely to have the most impact on the County are the San Andreas Fault, the Rodgers Creek Fault, and the Healdsburg Fault. The County is not obligated by the Lease Agreement or otherwise to maintain earthquake insurance with respect to the Leased Property unless such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the County, whose determination is final and conclusive. The occurrence of severe seismic activity in the area of the Leased Property could result in substantial damage and interference with the County's right to use and occupy all or a portion of the Leased Property, and result in Lease Payments being subject to abatement.

Wildfire. In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Several fires that occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. Significant fires in the County in recent years include the 2017 Sonoma Complex Fire, the 2019 Kincade Fire, the 2020 LNU Lightning Complex Fire, and the 2020 Glass Fire. There is a risk of property within the County being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the County. The County has invested a network of cameras on existing radio communication towers, paired with optical detection software, to detect wildfires and alert first responders without the need for human intervention.

The land within the County is susceptible to fires due to a combination of factors including overstocked forests, winds, temperatures, humidity levels, fuel moisture content of vegetation, utility and other infrastructure challenges, and topography. The risk to the community is increased in some areas because of the combustibility of building materials including roofs, adequacy of access roads, water supply duration, and severely overgrown vegetation and lack of defensible space around structures.

To quantify this potential hazard, the California Department of Forestry and Fire Protection ("**Cal Fire**") has developed a fire modeling and mapping process that utilizes three main criteria in order to evaluate and recommend potential fire hazards in wildland areas. The criteria are type of vegetation, fire weather, and topography. The maps developed by Cal Fire identify areas as Fire Hazard Severity Zones and include three severity classifications: moderate, high, and very high. Certain land within the County is classified as high and very high Fire Hazard Severity Zones. None of the Leased Property is in an area that has been classified as a High Fire Hazard Severity Zone or Very High Fire Hazard Severity Zone. However, VOTM Children's Home and the VOTM Administrative Building are adjacent to an area classified as a High Fire Hazard Severity Zone.

While wildland fires are a risk year-round, from May to October of each year, the County faces a serious wildland fire threat. Fires are anticipated to occur on an annual basis in the County. The threat of wildfire and potential losses are constantly increasing as human development and population increase and the wildland urban interface areas expand. Due to its high fuel load and long, dry summers, most of the County continues to be at risk from wildfire.

In the event taxable property within the County were destroyed by wildfires, the assessed valuation of such property would be reduced. Such reduction of assessed valuations could result in a reduction of property tax revenues to the County.

Floods. Portions of the County are within the 100-year flood zone, and portions of the County have been affected by flooding in the past. There can be no assurance that flooding will not occur in the future or that the severity of flooding will not be material. The Leased Property is not located within any known or mapped flood zone.

Droughts. As with much of the State, the County experiences recurring drought as a result of its climate conditions. Droughts impact public health and safety related to both water supply and wildfire risk, and may impact overall economic activities and outputs. On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. On March 24, 2023, the Governor eased the emergency drought restrictions imposed as a result of the Governor's 2021 declaration. There can be no assurance that subsequent declarations will not impose mandatory water use restrictions should dry conditions persist in future years.

Climate Change

The State is susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. In response, the County has established a Climate Action and Resiliency Division within the County Administrator's Office to develop a climate resilience action plan and pursue initiatives that advance climate action work across the County. The future fiscal impact of climate change on the County is difficult to predict, but it could be significant and it could have a material adverse effect on the General Fund by requiring greater expenditures to counteract the effects of climate change or by changing the operations and activities of County residents and business establishments.

Cybersecurity

The County relies on a large and complex technology environment to conduct its operations, which includes interfacing with third parties whose cyber- and data-security the County cannot control. The County, including its various departments, faces multiple cyber threats including, but not limited to, hacking, viruses, ransomware, malware and other attacks on computers and other sensitive digital networks and systems. Although the County has protections in place to help guard against such attacks, no assurances can be given that the security and operational control measures of the County will be successful in preventing any and each cyber threat and attack. The results of any attack on the computer and information technology systems could have a material adverse impact on the operations of the County and damage the digital networks and systems. The resulting costs or impacts on operations could be material. To mitigate these threats, among other things the County has adopted cybersecurity-related policies and procedures for its employees and operations, implemented key cybersecurity best practices, utilizes reputable industry standard security tools to help detect and prevent attacks, provides and requires employee training on cyber security requirements and best practices, and currently holds a Cyber Liability Insurance policy that provides comprehensive network & privacy liability coverage, and first party business interruption coverage.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the World Health Organization (“WHO”) announced the official name for the outbreak of the disease known as COVID-19 (“COVID-19”), an upper respiratory tract illness, which has since spread across the globe.

Although the COVID-19 pandemic is now in decline, future pandemics may arise and cause material adverse effects on the County’s operations and finances. The County Board of Supervisors declared a local emergency on December 5, 2023 related to the spread of avian influenza (H5N1) at commercial poultry farms in the County; avian influenza has also been detected in dairy farm workers in Colorado and Texas. In addition to the potential economic and operational effects on the County, uncertain too are the actions that may be taken by federal, State and local governmental authorities to contain or mitigate the effects of any such future outbreaks.

State of California Financial Condition

The financial condition of the State of California has an impact on the level of revenues received by the County. No prediction can be made as to whether the State will encounter budgetary problems in future fiscal years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the direction or outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including economic downturns, over which the County has no control. There can be no assurance that the State’s efforts to balance the State general fund will not materially adversely affect the financial condition of the County.

No Liability of Corporation to the Owners

Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Lease 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 Lease Agreement or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Substitution and Removal of the Leased Property

The Lease Agreement permits the County, under certain circumstances described in “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution or Removal of Leased Property”, to remove and or substitute all or a portion of the Leased Property so long as the resulting Leased Property has a value at least equal to the then-outstanding principal amount of the Certificates. The Lease Agreement does not require that the Leased Property after the substitution or release have a value equal to the value of the Leased Property prior to such substitution or release. Thus, a portion of the property comprising the Leased Property could be replaced with less valuable property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Lease Payments were to occur subsequent to such substitution or release.

Litigation

The County is and may become a party to litigation that has the potential to have an impact on the County’s General Fund. Although the County maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents (see “THE COUNTY AND COUNTY FINANCIAL INFORMATION – Risk Management” for further information), the County cannot predict what types of liabilities may arise in the future and whether these may adversely affect the ability of the County to pay Lease Payments under the Lease Agreement when due. See also “LITIGATION.”

State Law Limitations on Appropriations

Article XIIB of the California Constitution limits the amount that local governments can appropriate annually. The ability of the County to pay Lease Payments and other payments due under the Lease Agreement may be affected if the County should exceed its appropriations limit. The State may increase the appropriation limit of other agencies in the State by decreasing the State’s own appropriation limit. The County does not anticipate exceeding its appropriations limit. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIB of the State Constitution” below.

Property Tax Allocation by the State; Changes in Law

The responsibility for allocating general property taxes was assigned to the State by Proposition 13, which stated that property taxes were to be allocated “according to law.” The formula for such allocation was contained in Assembly Bill 8 (“**AB 8**”), adopted in 1978, which allocates property taxes among cities, counties, and school districts. The formulas contained in AB 8 were designed to allocate property taxes in proportion to the share of property taxes received by a local entity prior to Proposition 13. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution.”

Beginning in its Fiscal Year 1992-93, in response to its own budgetary shortfalls, the State began to permanently redirect billions of dollars of property taxes Statewide from cities, counties, and certain special districts to schools and community college districts. These redirected funds reduced the State’s funding obligation for K-14 school districts by a commensurate amount. In response, Proposition 1A of 2004, approved by State voters in November 2004 and generally effective in Fiscal Year 2006-07, provided 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 limitations. However, pursuant to Proposition 1A and beginning in Fiscal Year 2008-09, the State could, upon gubernatorial proclamation of fiscal hardship and following approval of two-thirds of both houses of the legislature, and it did, shift to schools and community colleges up to 8% of local government ad valorem property tax revenues, which amount must be repaid, with interest, within three years. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. In November 2010, State voters approved Proposition 22, which amends the State's constitution to eliminate the State's authority to temporarily shift additional ad valorem property taxes from cities, counties and special districts to schools, among other things. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 22." The state last passed a redirection or property tax shift applicable to fiscal years 2004-05 and 2005-06.

No assurance can be given that the State, the County or the County electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State in a manner that could result in a reduction of the County's property tax allocations or its other revenues and therefore a reduction of the funds legally available to the County to pay Lease Payments and other payments due under the Lease Agreement.

Early Prepayment Risk

Early payment of the Lease Payments and early prepayment of the Certificates may occur in whole or in part, without premium, from the proceeds of insurance, on any date, if the Leased Property, or a portion thereof, is lost, destroyed or damaged beyond repair or taken by eminent domain and if the County exercises its right to prepay the Lease Payments in whole or in part pursuant to the provisions of the Lease Agreement and the Trust Agreement. See "THE CERTIFICATES – Prepayment – Special Mandatory Prepayment from Insurance or Condemnation Proceeds."

Loss of Tax-Exemption

The County and the Corporation have covenanted in the Trust Agreement that each will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Certificates under Section 103 of the Internal Revenue Code of 1986. In the event either the County or the Corporation fails to comply with the foregoing tax covenant, interest on the Certificates may be includable in the gross income of the Owners thereof for federal tax purposes retroactive to the date of issuance. Should such an event of taxability occur, the Certificates would not be subject to a special prepayment and would remain Outstanding until maturity or until prepaid under the prepayment provisions contained in the Trust Agreement. See "TAX MATTERS."

Secondary Market for Certificates

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

IRS Audit of Tax-Exempt Issues

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar obligations).

STATE BUDGET

Information regarding the State Budget is regularly available at various State-maintained websites. The Fiscal Year 2024-25 State Budget described below may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading “California Budget.” Additionally, an impartial analysis of the State’s Budgets may be posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County, and the County takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2024-25 Adopted State Budget

2024-25 State Budget. The fiscal year 2024-25 budget for the State (“**2024-25 State Budget**”) was passed by the State legislature on June 26, 2024 and signed by the Governor on June 29, 2024. Following on from the State budget for the fiscal year 2023-23, which was the first time in several fiscal years that the State budget projected a budget deficit, the 2024-25 State Budget projects a \$46.8 billion deficit for fiscal year 2024-25. The 2024-25 State Budget addresses the projected budget deficit through \$16.0 billion in spending reductions, \$13.6 billion in additional revenues and internal borrowing, a \$6.0 billion draw on reserves, and \$11.2 billion in fund shifts, delays, and deferrals.

Future State Budgets

At various times, the State has experienced significant financial and budgetary stress. State budgets are affected by national and local economic conditions and other factors over which the County has no control. The State’s financial condition and budget policies affect communities and local public agencies throughout the State. To the extent that the State budget process results in reduced revenues to the County, the County will be required to make adjustments to its budget.

There can be no certainty that budget-cutting strategies, such as those used in prior recessions, will not be used in the future, should the State budget again be stressed.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The ability of the County to raise fees, taxes and other revenues is limited. Following is a description of certain constitutional limitations on taxes and appropriations applicable to the County. For a description of other factors relating to the revenues of the County, see “THE COUNTY AND COUNTY FINANCIAL INFORMATION” herein.

Article XIII A of the State Constitution

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

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

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

Article XIII A has also been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster.

Article XIII B of the State Constitution

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The “base year” for establishing this appropriations limit is Fiscal Year 1978-79. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIII B generally include authorizations to expend during a fiscal Year the “proceeds of taxes” levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement,

unemployment insurance and disability insurance funds. "Proceeds of taxes" include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIII B provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

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

Articles XIII C and XIII D of the State Constitution

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 and contains a number of interrelated provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax the County imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election that must be held before November 6, 1998. The voter-approval requirements of Article XIII C reduce the flexibility of the County to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

The County currently imposes the following general taxes: business-operations tax and transient-occupancy tax. Since all of these taxes were imposed before January 1, 1995, and have not been extended or increased since that date, these taxes should be exempt from the requirements of Article XIII C. Any future increases in these taxes, however, would be subject to the voter requirement of Article XIII C.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves

the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected parties, and (iv) a prohibition against fees and charges used for general governmental services, including police, fire and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution by expanding 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 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 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, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for 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 bears a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The State Constitution is subject to judicial interpretation. For example, on August 11, 2022, the California Supreme Court, in *Zolly v. City of Oakland*, found that a group of property owners had pleaded sufficient facts to maintain that franchise fees for waste disposal did not constitute local government property and did not constitute charges imposed for the use of local government property; however, decision left open the possibility that franchise fees may be exempt from the voter approval requirement in certain factual scenarios.

The County does not believe that any material source of its General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

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

Proposition 62

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (1) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two–thirds vote of the governmental agency’s legislative body and by a majority of the electorate of the governmental entity; (2) requiring that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two–thirds vote

of the voters within that jurisdiction; (3) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (4) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIII A; (5) prohibiting the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (6) requiring that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

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

In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

Proposition 1A

Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A at the November 2004 election. Among other things, Proposition 1A amended the State Constitution to reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales and vehicle-license fee revenues as of November 3, 2004, and by providing 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. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, 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. This shift of local government property tax can be accomplished 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 and certain other conditions are met.

Proposition 22

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 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.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“**Unitary Property**”), commencing with Fiscal Year 1988-89, are allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Future Initiatives

Article XIII A, Article XIII B and Propositions 62, 218, and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, further affecting the County’s revenues or its ability to expend revenues.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the County by no later than nine months following the end of the County’s fiscal year (which date would be April 1 based upon the County’s current fiscal year end of June 30), commencing April 1, 2025 with the report for Fiscal Year 2023-24 (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events. The County will file, or cause to be filed, the Annual Report with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in “APPENDIX E – Form of Continuing Disclosure Certificate.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). In the past five years, to its knowledge, the County has at all times complied, with its undertakings pursuant to said Rule.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax

purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The portion of Lease Payments designated and comprising interest may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the execution and delivery of the Certificates in order that the interest with respect thereto be, and continue to be, excludable from gross income for federal income tax purposes. The County has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of execution and delivery of the Certificates.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes “bond premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and bond premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

California Tax Status. In the further opinion of Special Counsel, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Certificates issued prior to enactment.

The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Special Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest with respect to the Certificates, or as to the consequences of owning or receiving interest with respect to the Certificates, as of any future date. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Other than as expressly described above, Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates, the ownership, sale or disposition of the Certificates, or the amount, accrual or receipt of interest with respect to the Certificates.

CERTAIN LEGAL MATTERS

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, substantially in the form of Appendix D hereto, will be made available to purchasers at the time of original delivery of the Certificates, and a copy thereof will accompany each Certificate. Jones Hall is also acting as Disclosure Counsel to the County. Certain legal matters will be passed upon for the Corporation and the County by the County Counsel.

Payment of the fees and expenses of Special Counsel and Disclosure Counsel is contingent upon the execution and delivery of the Certificates.

LITIGATION

There is no litigation pending or, to the County's knowledge, threatened in any way to restrain or enjoin the execution or delivery of the Certificates, the Lease Agreement or the Trust Agreement, to contest the validity of the Certificates, the Lease Agreement or the Trust Agreement, or any proceeding of the County with respect thereto. In the opinion of the County and its counsel, there are no lawsuits or claims pending against the County which will materially affect the County's finances so as to impair its ability to pay Lease Payments when due.

MUNICIPAL ADVISOR

KNN Public Finance, LLC, California, has served as Municipal Advisor to the County with respect to the sale of the Certificates. The Municipal Advisor has assisted in various matters relating to the planning, structuring and sale of the Certificates. The Municipal Advisor has not independently verified any of the data contained in the Official Statement or conducted a detailed investigation of the affairs of the County to determine the accuracy or completeness of the Official Statement.

COMPETITIVE SALE OF CERTIFICATES

The Certificates will be sold pursuant to a competitive auction to be held on _____, 2024 pursuant to the terms set forth in the Official Notice of Sale for the Certificates.

The Certificates were awarded to _____ (the “**Underwriter**”) and are being purchased at a purchase price of \$_____, which represents the principal component of the Certificates (\$_____) plus net original issue premium of (\$_____) and less an underwriter’s discount (\$_____).

The Underwriter intends to offer the Certificates to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may over allot or take other steps that stabilize or maintain the market prices of the Certificates at levels above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time.

RATING

S&P has assigned its municipal bond rating of “___” to the Certificates. There is no assurance that any credit rating given to the Certificates will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates. Such rating reflects only the views of S&P and an explanation of the significance of such rating, and any outlook associated with such rating, may be obtained from S&P.

EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the Board of Supervisors of the County.

SONOMA COUNTY

By: _____
[NAME]
[TITLE]

APPENDIX A
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX B

SONOMA COUNTY

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION

General and Location

One of California's original 27 counties (incorporated in 1850), the Sonoma County (the "County") is the northernmost of the nine greater San Francisco Bay Area counties. Bordered on the north and east by Mendocino, Lake, and Napa counties and to the west and south by the Pacific Ocean, Marin County, and San Pablo Bay, its area encompasses 1,598 square miles. Varied terrain in the County includes the Pacific coastline, the Russian River, vineyards, and old growth redwoods.

Geographically, the County is divided almost equally into mountainous regions, rolling hills and valley land. Three narrow valleys, separated by mountains, run northwest to southeast. Elevations range from sea level to 4,262 feet at Mt. Saint Helena, where Sonoma, Napa, and Lake counties converge.

Recreation, Tourism and Convention Business

The County is famous for its scenic and recreational resources. Today, the County has State parks and County parks, as well as a premium wine industry to attract and entertain tourists and residents alike. A County regional park system was established in 1967 and now includes 15 parks providing coastlines, mountains, redwood forests, lakes and historical locations. These resources have generated significant tourism and convention business.

Population

As of January 1, 2024, the County's population was approximately 478,152, which represents a 0.27% decrease below the January 1, 2023 population estimate of 479,445. The historic population estimates for the County and cities within the County as of January 1 of the years 2020 through 2024 are listed below.

SONOMA COUNTY Population Estimates As of January 1

Area	2020	2021	2022	2023	2024
Cloverdale	9,172	9,009	8,851	8,808	8,710
Cotati	7,505	7,546	7,397	7,381	7,303
Healdsburg	11,901	11,195	11,059	11,020	10,985
Petaluma	61,738	59,450	58,429	58,457	58,445
Rohnert Park	42,531	44,109	43,649	43,838	43,821
Santa Rosa	173,153	177,623	175,007	175,013	174,890
Sebastopol	7,741	7,477	7,418	7,366	7,295
Sonoma	11,013	10,731	10,714	10,636	10,532
Windsor	28,140	26,100	25,784	25,628	25,394
Unincorporated	138,460	131,219	131,346	131,298	130,777
County Total	491,354	484,459	479,654	479,445	478,152

Source: California State Department of Finance.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2020 through 2024.

SONOMA COUNTY Effective Buying Income 2020 through 2024

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2020	Sonoma County	\$18,287,988	\$71,696
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	Sonoma County	\$18,458,339	\$73,196
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	Sonoma County	\$21,216,228	\$83,997
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	Sonoma County	\$20,942,065	\$84,761
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	Sonoma County	\$21,955,860	\$88,920
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876

Source: Claritas, LLC.

Commercial Activity

Total taxable sales during calendar year 2023 in the County were reported to be \$11,848,998,073 a 3.10% decrease over the total taxable sales of \$12,227,868,310 reported during calendar year 2022. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table.

SONOMA COUNTY Taxable Transactions (Figures in Thousands) (Calendar Year)

	Retail Stores		Total All Outlets	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	11,392	\$7,126,519	21,498	\$10,104,318
2020	11,772	6,933,190	22,668	9,851,112
2021	10,288	8,032,232	20,305	11,395,415
2022	10,094	8,448,454	20,216	12,277,868
2023	9,754	8,171,099	19,685	11,848,998

Source: State Department of Tax and Fee Administration.

Building and Construction

Provided below are the building permits and valuations for the County for calendar years 2018 through 2022.

SONOMA COUNTY TOTAL BUILDING PERMIT VALUATIONS (VALUATIONS IN THOUSANDS)

	2018	2019	2020	2021	2022
<u>Permit Valuation</u>					
New Single-family	\$1,071,852.3	\$527,761.2	\$259,578.5	\$375,904.9	\$231,894.7
New Multi-family	127,743.3	117,333.8	100,949.9	234,588.8	308,327.8
Res. Alterations/Additions	<u>96,590.5</u>	<u>93,045.0</u>	<u>111,109.8</u>	<u>111,529.3</u>	<u>128,334.3</u>
Total Residential	1,296,186.1	738,140.0	471,638.2	722,023.0	668,556.8
New Commercial	141,873.8	60,246.4	60,122.5	80,466.2	264,484.0
New Industrial	1,277.3	199.0	4,360.0	0.0	1,724.4
New Other	66,129.7	28,466.1	74,321.3	208,103.5	81,855.3
Com. Alterations/Additions	<u>124,238.1</u>	<u>97,259.2</u>	<u>108,262.5</u>	<u>74,937.8</u>	<u>72,654.9</u>
Total Nonresidential	333,518.9	186,170.7	247,066.3	363,507.5	420,718.6
<u>New Dwelling Units</u>					
Single Family	3,247	1,722	1,038	1,245	902
Multiple Family	<u>1,057</u>	<u>1,056</u>	<u>778</u>	<u>1,262</u>	<u>1,460</u>
TOTAL	4,304	2,778	1,816	2,507	2,362

Source: Construction Industry Research Board, Building Permit Summary.

Agricultural Production

The County Department of Agriculture estimates that agricultural production totaled \$858,664,666 in 2022. The following table provides an agricultural production summary from 2018 through 2022.

SONOMA COUNTY TOTAL AGRICULTURAL PRODUCTION

	2018	2019	2020	2021	2022
Vegetable Crops	\$8,383,100	\$9,288,800	\$5,831,200	\$7,580,600	\$2,969,000
Fruit and Nut Crops	782,431,700	659,035,800	356,178,300	544,638,700	551,651,600
Nursery Products	50,508,200	53,063,500	46,469,300	60,369,700	68,975,000
Apiary	422,000	564,600	306,100	596,300	337,100
Livestock and Poultry Products	180,294,600	158,443,400	190,979,800	150,313,400	106,771,000
Livestock, Poultry and Aquaculture	86,611,895	77,266,640	79,868,907	48,601,064	43,387,191
Field Crops	11,259,800	10,229,400	11,228,300	10,052,800	28,644,400
Hemp ⁽¹⁾	--	--	--	--	1,800,000
Cannabis ⁽²⁾	--	--	--	122,752,360	54,129,375
TOTAL	\$1,119,911,295	\$967,892,140	\$690,861,907	\$944,904,924	\$858,664,666

(1) Hemp was included in Field Crops prior to 2022.

(2) Cannabis production not reported prior to 2021.

Source: Sonoma County Department of Agriculture.

Employment and Industry

The unemployment rate in the Santa Rosa Metropolitan Statistical Area (“MSA”), which includes the entire County, was 4.2% in March 2024, down from a revised 4.5% in February 2024, and above the year-ago estimate of 3.5%. This compares with an unadjusted unemployment rate of 5.3% for California and 3.9% for the nation during the same period.

The table below provides information about employment rates and employment by industry type for the County for calendar years 2019 through 2023.

SONOMA COUNTY Santa Rosa MSA Employment by Industry Annual Averages (March 2023 Benchmark)

	2019	2020	2021	2022	2023
Civilian Labor Force	257,200	245,700	243,100	246,500	248,000
Employment	250,200	226,000	229,700	238,700	239,000
Unemployment	7,000	19,700	13,500	7,800	9,000
Unemployment Rate	2.7%	8.0%	5.5%	3.2%	3.6%
<u>Wage and Salary Employment:</u> ⁽¹⁾					
Agriculture	6,600	6,200	5,900	6,100	6,100
Mining and Logging	200	200	200	200	200
Construction	16,500	16,000	16,100	16,400	16,200
Manufacturing	23,400	22,300	22,900	23,600	23,000
Wholesale Trade	7,600	7,400	7,500	7,300	6,800
Retail Trade	24,200	22,600	23,100	23,100	23,000
Trans., Warehousing, Utilities	4,200	4,100	4,400	4,600	4,600
Information	2,600	2,300	2,500	2,600	2,500
Financial and Insurance	4,700	4,500	4,400	4,400	4,100
Professional and Business					
Services	23,400	22,700	23,700	24,500	24,600
Educational and Health Services	35,800	34,300	34,000	35,000	36,500
Leisure and Hospitality	25,800	18,700	21,100	25,100	25,700
Other Services	7,100	6,000	6,400	7,200	7,600
Federal Government	1,300	1,500	1,300	1,200	1,300
State Government	3,800	3,300	2,900	3,000	3,000
Local Government	24,400	21,400	21,100	22,100	23,000
Total All Industries ⁽²⁾	215,600	196,300	200,500	210,000	211,700

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) May not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The table below lists the major employers in the County. Major employers in the County include those in education, health care, electronics, retail and manufacturing. Major public sector employers include public universities and schools, the State of California and the County.

SONOMA COUNTY Principal Employers May 2024

Employer Name	Location	Industry
Aabalat Fine & Rare Wines	Petaluma	Wineries (mfrs)
Amy's Kitchen Inc	Santa Rosa	Frozen Food Processors (mfrs)
Army National Guard Recruiter	Santa Rosa	Government Offices-State
Clover Sonoma	Petaluma	Dry Condensed/Evprtd Dairy Prod (mfrs)
County-Sonoma Trnsprtn-Pubc	Santa Rosa	Transportation/Public Works
Fairmont Sonoma Msn Inn & Spa	Sonoma	Hotels & Motels
First Security Svc	Rohnert Park	Security Guard & Patrol Service
Freeman Toyota	Santa Rosa	Automobile Dealers-New Cars
Ghilotti Construction Co	Santa Rosa	Road Building Contractors
Kaiser Permanente Santa Rosa	Santa Rosa	Hospitals
Keysight Technologies Inc	Santa Rosa	Instruments-Measuring (mfrs)
Macy's	Santa Rosa	Department Stores
Medtronic	Santa Rosa	Physicians & Surgeons Equip & Supls-Mfrs
Mendocino Forest Products Co	Santa Rosa	Lumber-Wholesale
Petaluma Valley Hospital	Petaluma	Hospitals
Protransport-1	Cotati	Transportation Services
Providence Santa Rosa Meml Hsp	Santa Rosa	Hospitals
Santa Rosa Police Dept	Santa Rosa	Police Departments
Solairus Aviation	Petaluma	Aircraft Charter Rental & Leasing Svc
Sonoma County Office of Edu	Santa Rosa	County Government-Education Programs
Sonoma County Sheriff	Santa Rosa	Government Offices-County
Stockham Construction Inc	Cotati	General Contractors
Sutter Santa Rosa Regl Hosp	Santa Rosa	Hospitals
Walmart	Windsor	Department Stores
Walmart	Rohnert Park	Department Stores

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2024 2nd Edition.

APPENDIX C

**ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

APPENDIX D
PROPOSED FORM OF SPECIAL COUNSEL OPINION

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
**2024 Certificates of Participation
(Energy Resiliency Projects)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof In
Lease Payments to be Made by
SONOMA COUNTY
As the Rental for Certain Leased Property Pursuant to a
Lease Agreement with the
COUNTY OF SONOMA PUBLIC FINANCING CORPORATION**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Sonoma County (the “County”) in connection with the execution and delivery of \$ _____ 2024 Certificates of Participation (Energy Resiliency Projects) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement dated as of August 1, 2024, between the County and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”) (the “Trust Agreement”). The County covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

“*Annual Report*” means any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the County’s fiscal year (currently April 1 based on the County’s fiscal year end of June 30).

“*Dissemination Agent*” means Digital Assurance Certification, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement dated _____, 2024, executed by the County in connection with the issuance of the Certificates.

“*Participating Underwriter*” means _____, the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2025, with the report for Fiscal Year 2023-24, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the County) has not received a copy of the Annual Report, the Dissemination Agent shall contact the County to determine if the County is in compliance with the previous sentence. 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 Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the County’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). 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 the County hereunder.

(b) If the County does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the County shall provide (or cause the Dissemination Agent to provide) a notice to the MSRB, in a timely manner, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(1) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(2) if the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The County’s Annual Report shall contain or incorporate by reference the following:

(a) The County’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the County for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(1) The County's normal cost and unfunded liability contributions to the Sonoma County Employees' Retirement Association for its General and Safety Memberships.

(2) Tables showing the County's General Fund Revenues, Expenditures and Fund Balances and General Fund Balance Sheet, in substantially the format displayed in the Official Statement in Table No. 1 and Table No. 2.

(3) Tables showing assessed value and delinquency information, in substantially the format displayed in the Official Statement in Table No. 5 and Table No. 7.

(4) Teeter Plan tax losses reserve fund requirement, and benefit (or loss) to the County's General Fund from the operation of the Teeter Plan.

(5) A table setting forth outstanding balance of County long-term debt and Certificates of Participation.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the County shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) 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 are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. 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 Listed Events with respect to the Certificates:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the County or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the County or an obligated person, or the sale of all or substantially all of the assets of the County or an 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, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall, or shall cause the Dissemination Agent (if not the County) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The County acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material"

with respect to certain notices, determinations or other events affecting the tax status of the Certificates. The County shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the County obtains knowledge of the occurrence of any of these Listed Events, the County will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the County will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Digital Assurance Certification. Any Dissemination Agent may resign by providing 30 days' written notice to 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(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

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 Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the County fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates 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 Trust Agreement, 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) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they 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 Dissemination Agent shall have no duty or obligation to review any information provided to it by the County hereunder, and shall not be deemed to be acting in any fiduciary capacity for the County, the Certificate holders or any other party. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the County for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2024

SONOMA COUNTY

By: _____
[NAME]
[TITLE]

Agreed and Accepted:

DIGITAL ASSURANCE CERTIFICATION

By: _____

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Certificates (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Certificates (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Prepayment notices shall be sent to DTC. If less than all of the Securities within an issue are being prepaid, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment 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 Issuer or Agent, 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.