THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office **BOARD AGENDA #** B-17

Urgent ☐ **Routine** ☒ **AGENDA DATE** June 26, 2007

CEO Concurs with Recommendation YES ☒ **NO** ☐ **4/5 Vote Required YES** ☐ **NO** ☒
(Information Attached)

SUBJECT:

Approval to Accept the County's Financial Advisor's Review of Stanislaus County's Debt Capacity in Light of Economic Trends, Financial Conditions, and Market/Debt Factors – Chief Executive Office

STAFF RECOMMENDATIONS:

1. Adopt Stanislaus County's Debt Capacity Review.
2. Direct County Staff to prepare future borrowings consistent with the economic and financial factors identified in the Debt Capacity Review.

FISCAL IMPACT:

The County has a current total direct debt of $198 million, of which $76 million is for Pension Obligation Bonds (POB). The annual debt service is $22.9 million with POB and $11.5 million excluding POB. The net annual debt service cost to the County is $6.6 million as a result of off setting revenue of approximately 40%. Within 10 years 67% of the County debt will be paid.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS: **No.** 2007-515

On motion of Supervisor Grover, **Seconded by Supervisor** Mayfield
and approved by the following vote,
Ayes: Supervisors: Mayfield, Grover, Monteith, DeMartini, and Chairman O'Brien
Noes: Supervisors: None
Excused or Absent: Supervisors: None
Abstaining: Supervisor: None
1) X **Approved as recommended**
2) ___ **Denied**
3) ___ **Approved as amended**
4) ___ **Other:**
MOTION:

Christine Ferraro

ATTEST: **CHRISTINE FERRARO TALLMAN, Clerk** **File No.**

FISCAL IMPACT: (Continued)

The Debt Capacity Review projects that the County has additional debt capacity of between $72 million and $179.8 million over the next five years. This projection is based on the growth of the countywide assessed value on property and the County's per capita income related to the market median. As to a budgetary perspective, an additional debt of $72 million would result in an annual debt service of approximately $5.7 million annually. (Assumptions: 20 years @ 5% one Certificate of Participation (COP) - borrow all at one time.) If revenues off set the same amount as in the existing borrowings (40%) the annual debt payment on the new borrowing would be $3.4 million.

DISCUSSION:

The County's last debt capacity review was done in 1996. It was prepared by the County's Financial Advisor. It provided guidelines and insight to County leadership in incurring future debt. In mid 2006 staff contracted with Kelling, Northcross & Nobriga (KNN) to prepare a new Debt Capacity Review. The need for a current Debt Capacity Review was influenced as a result of the size and needs presented in the County's Capital Improvement Plan for 2006-2007.

The County's financial advisor, KNN Public Finance, identified ranges of additional debt that the County could reasonably incur in the future without adversely impacting its current "A" category rating or market access. In so doing KNN points to several factors that should be considered before acquiring new debt. The factors are the market/credit impact, local economic and financial trends, and budgetary constrains and trade off.

Based on the population projections for the County over the next five years and using the Standard & Poor's median value for debt per capita of $266 the County's increased debt capacity is $72 million. Increase debt capacity based on debt per assessed valuation ratio is $179 million. This amount is based on a projected annual assessed valuation increase and comparing to the rating agency's standards of .60%.

The County has a history of maintaining a strong budgetary fund balances and reserves. The County's strong budget controls/financial ratios exceed the medians of the Rating Agencies ranges. The County is considered to have a high total general fund balance as a percentage of general fund revenue (37.1%) and above average unreserved fund balance as a percentage of general fund revenue (25.36%). The County's assessed valuation per capita ($57,296) is slightly higher than the median ($55,317). Also, the County has had a high annual growth rate in taxable and retail sales as a result, in part, of a strong population growth. The County has experienced a steady increase in unreserved General Fund Balance. The current annual debt service of approximately $11.5 million is off set 40% of dedicated revenues.

In terms of economic trends the County's revenue growth has in large part been from its secured tax base and not from an expansion in its economic base. The County has relatively high unemployment, which is approximately double the state's level. The median household buying income in the County is approximately 14% less than the state average of $43,915. The County's report compares debt ratio to a Peer Group of other counties.

Increasing service demands, infrastructure needs and unfunded liabilities and cash flow are all conditions that need to be considered before acquiring additional debt. Debt limits the budgeting and funding flexibility for discretionary services and repairs such as deferred maintenance. Additional debt should be targeted towards improving economic and budgetary factors such as reducing cost, increasing revenues and managing liabilities. Maximizing the use of the County's debt capacity can be high risk and challenge the County's credit ratings and financial structure. The County should continue to limit debt policy and obligations to the most conservative level of decision making.

POLICY ISSUES:

The Board of Supervisors adoption of the County's Debt Capacity Review provides guidelines for the County to maintain in incurring future debt.

STAFFING IMPACT:

Existing Staff from the Chief Executive Office, Auditor-Controller, Treasurer-Tax Collector and County Counsel provided assistance and review in the completion of this document.

COUNTY OF STANISLAUS
DEBT CAPACITY REVIEW

February 2007

Prepared by:

KNN public finance
A Division of Zions First National Bank

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PREFACE

Per the request of Stanislaus County, Kelling, Northcross & Nobriga (KNN) has prepared this Debt Capacity Review (DCR) to evaluate the County's outstanding debt and examine the ability of the County to incur and service additional indebtedness. As part of this review, KNN has assessed the County's current financial capabilities with regards to the key credit indicators and the County's financial standing vis-à-vis comparably rated county credits in the United States as well as the County's closest Central Valley peers. We have also performed a sensitivity analysis to estimate how future financings might impact the County's debt ratios.

This DCR will be of direct interest to members of the Stanislaus County Board of Supervisors, the Debt Advisory Committee, and those additional policymakers, administrators, and staff responsible for planning the County's future services and capital projects. We believe that the County's elected officials, administrators and staff should be commended for their leadership and foresight to undertake this debt management endeavor on behalf of the residents, businesses, and taxpayers of the County.

We wish to thank various rating analysts at Moody's Investors Services, Standard & Poor's Ratings Group, and Fitch Investors Services who provided insights about the rating process and other relevant criteria related to debt evaluation. We are also grateful to various private and public agencies that assisted us with data collection and provided us with helpful information. Lastly, we are indebted to several County officials and staff members for their assistance, cooperation, and thoughtful comments on working drafts of this DCR: Richard Robinson, Larry Haugh, Gordon Ford, Patty Hill-Thomas, Monica Nino-Reid, Stan Risen, Gary Dial and Dean Wright, among others, all made important contributions of their time and expertise.

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EXECUTIVE SUMMARY

This report presents our analysis of Stanislaus County's "debt capacity." It attempts to identify ranges of additional debt that the County could reasonably incur in the future without adversely impacting its current "A" category ratings or market access.[1] It also identifies underlying economic and financial trends and factors that would assist the County in determining the prudence of incurring additional debt regardless of the market's willingness to purchase that debt.

Decisions by the County to incur additional debt must also take into consideration the budgetary trade-offs involved in paying for additional debt. Those trade-offs, however, are inherently policy decisions that are outside the purview of this study.

We caution that there is no simple formula or single measure of debt capacity. Our approach for this study has been to examine the principal characteristics of Stanislaus County which, when considered together, are widely viewed as key indicators of credit-worthiness. We followed the major categories established by the rating agencies, including the County's economic condition, financial performance/flexibility, debt factors, and administrative policies and political environment.[2]

The first three categories are factors that focus on the County's "ability" to pay for outstanding debt whereas the last category focuses on the County's political willingness to maintain sound budgetary discipline. While there are many aspects of management and administration that fall outside the scope of this study, where appropriate we included some discussion of these factors to supplement the other credit factors.

For each of the first three categories of credit factors, we evaluate Stanislaus County in the context of benchmarks and medians published by the rating agencies for comparably sized and comparably rated counties in the United States. We also compare Stanislaus County to a peer group of California counties, consisting primarily of other Central Valley counties.

We then forecast ranges of debt capacity based on three key rating agency medians, using assumptions about future growth in County assessed valuation, population and general fund expenditures. Whether the County can prudently incur additional debt at, above or below these levels depends in large part on the economic and financial factors discussed in the other sections of the study as well as the budgetary tradeoffs involved.

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[1] See Section I for a discussion of current Stanislaus County ratings.

[2] S&P identifies these four basic analytical areas as crucial in determining a municipal government's capacity and willingness to repay its debts. Standard & Poor's Public Finance Criteria 2003, p.41; other rating agencies use similar rating criteria.

Finally, we conclude the report with Comments and Recommendations about ways in which Stanislaus County can maintain and/or improve its credit worthiness from the perspective of rating agencies, credit analysts, and investors.

The following summarizes the key sections of the full report.

Economic Factors

Key to the overall strength of Stanislaus County's economy are: (i) its geographic location within proximity of the Bay Area and relatively low cost of living; (ii) population now over one half-million that is growing at a faster rate than the State; (iii) an agricultural sector that relies on a diverse crop base and includes warehousing, distribution and manufacturing; (iv) a strong and diverse tax base that is characterized by a net assessed valuation of $33.2 billion in FY 2006 and a low top ten taxpayer concentration of 4.63% in FY 2005; as well as (v) a high average annual growth rate in taxable and retail sales of 7.7% and 9.6% respectively.[3]

While the County's crop production and agricultural base are distinguishing strengths, the predominance of agriculture in the economy also poses several serious credit challenges. For example, the County's employment base remains weak relative to other non-Central Valley California counties—for FY 2005, the unemployment rate of 8.3% was much higher than 5.4% for the State.[4] Further, for the same year, the County's median household effective buying income of $37,815 was lower than $43,915 for the State.

The table on the following page identifies several of the County's key economic indicators and the comparable county benchmarks (i.e. high, moderate, low, etc.) and medians published by Standard & Poor's. These ratios are generally considered good indicators of the wealth and income levels of any municipality.

[3] Average taxable sales from 1997 to 2003 and average retail sales from 1999 to 2004, California State Board of Equalization, www.boe.ca.gov.
[4] Unemployment data is not seasonally adjusted, California Employment Development Department, www.calmis.ca.gov.

Table 1: Key Stanislaus County and Comparable Economic Ratios

Ratio for FY ending June 30, 2005	Stanislaus County	S&P 2005 Ratio Ranges (Counties over 150,000)[1]	S&P 2006 Medians (all A-rated US Counties)[2]	Moody's 2005 Local Government National Medians[3]
AV per Capita, FY 2005	$57,296	moderate	$51,742	$50,107
Top 10 taxpayer conc., FY 2005	4.63%	moderate	8.60%	N.A.
Per Capita EBI as % of State, 2005 CY	76.75%	N.A.	N.A.	N.A.
Per Capita EBI as % of US, 2005 CY	76.55%	low	92.00%	N.A.
Median Family EBI as % of State, 2005 CY	86.11%	N.A.	N.A.	N.A.
Median Family EBI as % of US, 2005 CY	91.16%	moderate	93.0%	N.A.

[1] State and Local Government Credit Analysis By the Numbers, March 2005.

[2] Counties with population over 150,000.

[3] Counties with population greater than 250,000, but under 1 million.

As you can see, Stanislaus County's wealth and income levels are below state and national medians, suggesting an economic base that lacks the diversity of higher-rated more urban counties. This is perhaps the greatest "red flag" that we identified in our consideration of the County's additional debt capacity.

Financial Factors

In recent years the County has maintained exemplary budgetary control as shown in the County's Annual Financial Reports. At the end of FY 2003, FY 2004 and FY 2005, revenues exceeded budgetary estimates in the General Fund by $12 million, $12 million and $24 million, respectively. The relatively large FY 2005 increase was largely due to an unanticipated increase in vehicle license fee revenue from the state. For the fiscal years mentioned above, expenditures ended the year less than budgetary estimates.

The County's total and unreserved general fund balances have steadily increased since FY 1999, again with dramatic increases in FY 2005. Moreover, despite a downturn in the economy, State budget cuts and two years of ERAF shifts, the County continued to fund key designations and contingencies, including a designation for one year of outstanding COP debt service and a designation for emergencies, both of which are viewed very favorably by the rating agencies and other market participants as a credit positive. For FY 2005, the County's unreserved undesignated fund balance (viewed as fully discretionary) increased from $12.4 million to $33.8 million, again due in part to the VLF Gap Loan repayment. Unreserved undesignated fund balance represents 28% of total general fund expenditures and net transfers, while total fund balance represents 41%, both of which are very high.

Several other County financial and management factors that are viewed favorably by market participants include:

- Of the County's $11.5 million of annual General Fund COP debt service, the County has approximately $4.8 million of offsetting revenues;

- The County's high funded ratio in its retirement system and short amortization of its outstanding Pension Obligation Bonds;

- The County's two tobacco securitization endowment funds, the corpus of which are available for capital projects and the interest from which are fully discretionary. Interest earnings from one of the endowments is used currently to reduce the County's HSA deficit; and

- The County's low historic tax delinquency rate, which is reflective of the ability and willingness of the County's residents to support the County's current service level and debt burden.

- The County's sound financial management practices including mid-year budget review, multi-year revenue and expenditure forecasting and multi-year capital planning and debt capacity consideration.

One area of potential concern is the accumulation of deficits in the HSA enterprise fund. We note however that the County has adopted a strategic plan to eliminate the annual HSA enterprise fund deficit and to pay off the accumulated deficits by 2020. It will be important for the County to monitor the success of the strategic plan and to avoid future deficits which could become a credit concern.

The table below shows Stanislaus County's relative strength in terms of GF balances, Unreserved GF balances, and Unreserved, Undesignated fund balances. As a guideline, general fund balance as a percentage of revenues is an indicator of liquidity and financial health of the issuer. Unreserved, undesignated general fund balance as a percentage of revenues is a measure of the municipal entity's most liquid reserves.

Table 2: Key Stanislaus County and Comparable Financial Ratios

Ratio for FY ending June 30, 2005	Stanislaus County	S&P 2005 Ratio Ranges (Counties over 150,000)[1]	S&P 2006 Medians (all A-rated US Counties)[2]	Moody's 2005 Local Government National Medians[3]
Tot. GF Bal as % of GF Rev, FY 2005	37.10%	high	24.30%	11.00%
Unreserved GF Bal as % of GF Rev, FY 2005	25.36%	above average	17.90%	N.A.
Unreserved, Undesignated GF Bal as % of GF Rev, FY 2005	15.33%	N.A.	N.A.	6.80%

[1] State and Local Government Credit Analysis By the Numbers, March 2005.

[2] Counties with population over 150,000.

[3] Counties with population greater than 250,000, but under 1 million.

As you can see, all of the County's financial ratios exceed the medians, and are considered to be very strong. Moreover, the unreserved undesignated fund balance does not account for the debt service designation (equivalent to a approximately $11 million), which represents additional liquid reserves and additional credit strength. While these figures certainly support the potential for additional debt, it is important to caution that the County's 2005 GF balances are significantly higher than in prior years, due in part to the one-time repayment of the VLF Gap Loan. It will be important for the County to monitor and maintain this trend in the future.

Debt Factors

The table on the following page summarizes the County's outstanding COP and Pension Obligation debt.

Table 3: Stanislaus County Outstanding Debt Issues

Outstanding Debt Issues	Purpose	Sale Date	Original Par Amount	Principal Outstanding as of June 30, 2005	Final Maturity	2005-06 Debt Service
Series 2004 A	Construction of a portion of Gallo Center for the Arts	03/26/04	$15,340,000	$15,340,000	8/15/2025	$545,645
Series 2004 B	Construction of 12th Street Office building and parking garage	03/26/04	$27,455,000	$27,455,000	8/15/2025	$976,461
Series 1998 A	Construct a portion of 10th Street government building with the City of Modesto	02/25/98	$22,160,000	$18,835,000	9/1/2018	$1,770,906
Series 1997A	Construct Agricultural Center and police officer training building	04/30/97	$12,035,000	$9,405,000	5/1/2017	$1,046,416
Series 1997B	Refund a portion of 1992 series A and B COPs	12/03/97	$10,630,000	$9,700,000	6/1/2012	$1,581,565
Series 1996 A	Refund remaining portion of 1989 COP (see 1995 COP below)	11/17/95	$55,920,000	$41,910,000	5/1/2018	$4,286,826
Series 1995	Pension Obligation Bonds	09/18/95	$108,970,000	$81,685,000	8/15/2013	$11,428,591
Series 1995	Refunding a portion of 1989 COP	06/07/95	$13,755,000	$5,105,000	5/1/2008	$1,439,755

As of June 30, 2005, Stanislaus County had a total direct debt of $198,390,000, of which $75,890,000 was attributable to the 1995 Pension Obligation Bond (POB) and the remainder to the County's outstanding COPs. For this same FY, annual debt service with and without POB was $22.9 million and $11.5 million respectively. However, the County has approximately $4.8 million of offsetting revenues reducing the net county cost of its COP debt service to $6.6 million annually. Moreover, its POB debt service is partially paid through state and federal subvented payroll (approximately 40%). Additionally, approximately 67% of the County's debt will be repaid within the next 10 years, which is quite favorable.

The table below summarizes the County's current debt ratios, excluding minimal capital lease obligations and POB debt.[5] All of the direct debt ratios are considered moderate and are more favorable than the median values provided by S&P in its 2005 ratings report for all actively A-rated counties.[6] The County's overall debt however, which accounts for the debt of all agencies within the County (such as cities, school districts and special districts), is slightly higher than the median. Given a relatively strong economic and financial base, and moderate debt indicators, there is little doubt that the County should be able to meet all its outstanding debt obligations in a timely fashion.

[5] Rating agency benchmarks and medians tend to be calculated without consideration of POB debt to ensure fair comparison with counties which may have unfunded actuarial accrued pension liabilities rather than POB debt. Both are considered liabilities though only POBs show up in "debt" tables.

[6] Standard & Poor's, RatingsDirect, U.S. GO Rating Distributions And Summary Ratios, May 2005.

Table 4: Key Stanislaus County and Comparable Debt Ratios

Ratio for FY ending June 30, 2005	Stanislaus County	S&P 2005 Ratio Ranges (Counties over 150,000)[1]	S&P 2006 Medians (all A-rated US Counties)[2]	Moody's 2005 Local Government National Medians[3]
Debt per AV, FY 2005	0.42%	moderate	0.60%	0.50%
Overall Net Debt to AV, FY 2005	2.78%	moderate	2.5%	3.10%
Debt per Capita, FY 2005	$243	moderate	$266	N.A.
Overall Net Debt Per Capita, FY 2005	$1,726	moderate	$1,310	N.A.
Debt per Capita as % of Per Capita EBI, FY 2005	1.65%	N.A.	N.A.	N.A.
DS per GF Expenditure[4], FY 2005	5.83%	N.A.	6.50%	N.A.
Net DS per GF Expenditure[4], FY 2005	3.37%	N.A.	N.A.	N.A.
10-year debt amortization, FY 2005	67.54%	moderate	61.70%	N.A.

[1] State and Local Government Credit Analysis By the Numbers, March 2005.
[2] Counties with population over 150,000.
[3] Counties with population greater than 250,000, but under 1 million.
[4] General Fund Expenditures are net of Transfers In and Transfers Out. Net debt service is net of offsetting revenues.

Peer Group Analysis

We identified a group of peer counties that are similar to Stanislaus in three major respects: assessed valuation, population and geographic location. The seven counties that met all the specific criteria we established were Fresno, Kern, Kings, Madera, Merced, San Joaquin and Tulare. For each peer group county, we have prepared debt tables and calculated economic, financial, and debt ratios.[7]

Overall, we conclude that though Stanislaus has higher debt ratios than many of these peer counties, it also has a stronger economic and financial base to support higher debt levels relative to its closest peers. We believe that the County can safely sustain its current debt load because of a strong economic and financial backbone to support more debt relative to its closest peers.

Sensitivity Analysis – Projecting Debt Capacity

We attempted to quantify dollar ranges for the County's debt capacity by focusing on three key ratios: debt per capita, debt per AV and debt service per General Fund expenditure. For the third ratio, we examine total debt service as well as debt service net of offsetting revenues (net debt service or net county cost). We then projected future debt capacity using S&P median values for "A" rated counties with populations in excess of 150,000.

We projected the County's population and GF revenues using a simple linear regression model. For AV, we used two different scenarios with two different underlying growth assumptions. The first scenario assumed that the recent 16-year historical average growth rate of 6.7% would continue through 2009, and then drop to a growth rate of 3% through 2011. The second AV scenario assumed a more conservative flat 3.00% growth per year through FY 2011.

[7] See Appendix D.

The table below summarizes the additional general fund debt (COP) amounts projected for fiscal years 2007 through 2011 based on the S&P median values for each ratio and reasonable assumptions about growth in AV, population and expenditures. Note that the figures are not cumulative. For example, given the Debt Per Capita column, if the County were to issue $41 million of COPs in FY 2008, the capacity would not be $51.2 million in 2009 and so forth. However, if the County were to issue no additional debt between FY 2007 and FY 2009, then the Debt Per Capita ratio shows additional capacity of $61.4 million in FY 2010.

Table 5: Projected Stanislaus County Debt Capacity Based on S&P Medians[8]

Year	Debt Per Capita[1]	Debt Per AV (Historical Growth)[2]	Debt Per AV (3.00% Growth)[3]	DS Per GF Expenditures[4]	Net DS Per GF Expenditures[5]
2007	$30,399,761	$104,401,925	$96,997,130	$16,970,000	$87,395,000
2008	$41,356,692	$127,042,022	$111,513,144	$26,405,000	$96,820,000
2009	$51,228,624	$149,556,192	$125,128,988	$56,595,000	$127,015,000
2010	$61,405,555	$164,400,228	$139,240,208	$65,875,000	$136,290,000
2011	$71,907,486	$179,787,335	$153,872,514	$75,185,000	$145,600,000

[1] Debt per capita capacity calculated using $266 ratio.
[2, 3] Debt per AV calculated using 0.60% ratio.
[4, 5] General Fund Expenditures are net of Transfers In and Transfers Out, calculated at 6.50% ratio.

The results indicate a wide range of debt capacity values in each year based on the different ratios. No single ratio should be relied upon as determinative of debt capacity; rather, the results must be considered in total and then reviewed further in light of the economic, financial and other debt indicators discussed previously. Moreover, debt capacity figures based on national rating agency medians are intended only to be indicative of "moderate" debt levels for comparably rated counties. There will of course be circumstances where higher amounts of debt could reasonably be incurred by Stanislaus and, conversely, circumstances where lower amounts represent the reasonable limit.

We note that the rating agencies, S&P in particular, generally rely more heavily on the Debt per Capita and Debt per AV ratios in their analysis while the County might be more concerned about debt service as a percentage of GF Expenditures in determining its budgetary capacity for additional debt.

Based on this analysis, we project additional debt capacity of between $71.9 million and $179.8 million over the next five years. At a minimum, we believe the County could safely incur the additional debt levels projected using the more conservative Debt Per Capita ratio, in light of the County's current economic and financial trends. This would suggest additional capacity of approximately $72 million over the next five years. Further, we believe that the County might reasonably be in a position to incur higher additional debt levels than these, if desired, to the extent that the County: (i) continues to maintain strong general fund balances and reserves, including the reserve of one

[8] Source: Standard & Poor's U.S. GO Rating Distributions And Summary Ratios, March 2006.

year's outstanding COP debt service, (ii) continues to experience revenue growth as projected and structural budgetary balance, and (iii) continues to receive the offsetting revenues used to pay existing COP debt service.

Precisely how much additional debt the County can reasonably incur above these levels in future years is difficult to quantify. For example, the County's lower wealth and income levels, in combination with its higher overlapping debt ratios are limiting factors, and suggest to us that the County should not incur additional debt over the next five years at the highest levels of the ranges projected in the table above – i.e., based on the debt per AV projections. Therefore, to the extent the County seeks to incur additional indebtedness above these levels, we recommend reconsideration of the debt ratios and debt affordability model at that time based on more current financial data.

Conclusion

In light of our overall findings, we are confident that the County is in a position to issue, service, and manage additional debt, without imposing undue strain on its financial resources. This ability, however, is not unlimited.

In the Comments and Recommendations section of this report, we suggest ways in which the County can maintain and improve its credit worthiness over the long-term. These comments and recommendations underscore the importance of: (i) continuing to maintain structural budgetary balance while funding and building reserve levels; (ii) continuing to grow and diversify the economic and revenue base of the County; and (iii) continuing to utilize prudent debt management practices, including consideration of updated debt affordability ratios immediately prior to the incurrence of additional debt. Also, we remind the County that it has significant resources available in its Tobacco Bond endowments which could be used for capital projects in lieu of incurring additional debt. The County should consider the most optimal use of these funds in conjunction with decisions about additional debt.

KNN stands ready to help the County develop and maintain a strong long-term financial plan for its capital needs and to help analyze the impact of new debt issues on existing financial resources. We hope the County will find this report informative and helpful and look forward to working with the County in the future.

STATEMENT OF LIMITING CONDITIONS

This Debt Capacity Review (DCR) is prepared exclusively for the County of Stanislaus, including its officials and staff, as an educational tool for informational purposes only and is subject to the following limiting conditions:

1. In preparing this DCR, discussions were held with, and information, estimates and views obtained from, County officials and staff, rating analysts, State of California personnel, publications and officials and staff of various other public and private organizations. Information, estimates and views contained in this report are obtained from sources considered reliable. However, KNN does not independently verify and assumes no liability for information received from such sources. KNN relies on the party providing such information for its accuracy and completeness.

2. The County of Stanislaus and its representatives have provided information to KNN, including information regarding the County's past operating results. Unless otherwise noted, KNN assumes that all data provided were prepared in accordance with Generally Accepted Accounting Principles (GAAP) and that the data furnished contain no material errors. KNN relies on the County and its representatives providing such information for its accuracy and completeness and assumes no liability for information provided by, about or at the direction of the County.

3. Possession of the report, or a copy thereof, does not carry with it the right of publication or duplication of all or part of the report. Nor may the report be used for any purposes by anyone but County officials and staff nor may it be distributed (by the County or otherwise) to anyone but County officials and staff, except as required by State law regarding public records, without the previous written consent of KNN and the County and, in any event, only with proper attribution.

4. The various financial information, estimates, views and analyses presented in this report apply to this report only as of the date hereof and may not be used out of the context presented herein. This report is valid only for the purpose or purposes specified. The County's decision to pursue or to not pursue any future debt financings will be based on a variety of factors which are beyond the scope of KNN's analysis in the report. This report may not be utilized in conjunction with, or relied upon for, any financing transaction, nor may it be published, in whole or in part, in any offering documents related to any financing transaction.

5. KNN is not a Certified Public Accountant firm and assumes no liability for restatement of financial information. KNN personnel are not credit analysts, and

this review does not constitute a formal credit report for the County nor assurance of any future ratings. It is intended as an informational tool to assist the County with its financing program evaluation and planning.

6. The views expressed within this report are based on written information and information obtained through meetings and phone conversations, and are provided in the context of our understanding of the County's financial results, policy needs and fiscal strategies as of the date hereof. Changes in these factors could affect the applicability of these views over time. All conclusions and recommendations fundamentally assume competent administrative and fiscal management of the County in future years.

Section I

INTRODUCTION

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INTRODUCTION

Purpose of Debt Capacity Review

It is anticipated that California's Central Valley, and Stanislaus County in particular, will witness unprecedented population growth in the near future.[9] With population growth comes economic expansion and an ever-growing demand for public facilities and infrastructure. Hence the ability of the County to borrow money in order to sustain such growth and capital needs becomes crucial. Equally important also is the need for the County to constantly evaluate and monitor its borrowing strategies with a clear understanding of safe and reasonable borrowing levels.

Public officials and municipal finance professionals often use the term "debt capacity" to refer to the maximum amount of debt that can be legally issued by a local government entity under applicable laws. In this Debt Capacity Review (DCR), however, we use a broader definition of debt capacity which encompasses the amount of debt or similar long-term obligations that the County can comfortably support in light of its financial policies and performance, and in consideration of the local economy.[10]

The primary purposes for which local governments should incur debt are generally agreed upon: to finance the construction or acquisition of capital projects; to finance short-term operating needs in anticipation of future revenues; to refinance existing high interest debt obligations; and to finance large emergency or irregular expenditures. However, the total level of debt[11] that safely can be incurred is much less well defined, and as a consequence, often is given insufficient examination when borrowing decisions are made. Fortunately, Stanislaus County has developed a strong awareness of the importance of understanding its own debt capacity as an integral part of the County's borrowing decisions.

Two aspects of debt capacity can be appropriately distinguished: "budgetary" debt capacity vs. "market" debt capacity. The former is the additional capacity that results from a local jurisdiction's conscious effort to spend less money on other budgetary priorities and hence create additional funds for debt service. It involves budgeting tradeoffs that are inherently policy choices and thus outside of the scope of this analysis. The latter aspect of debt capacity, which we focus on in this DCR, relates to additional indebtedness that the jurisdiction can safely acquire from the capital markets without jeopardizing its credit worthiness.

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[9] See Department of Finance forecasts, www. Dof.ca.gov/

[10] Although California law distinguishes between "debt" and other forms of long-term obligations such as leases and lease financings, we will generally use the term "debt" to apply to all types of long-term obligations, including lease financings such as Certificates of Participation (COPs).

[11] For several California counties, including Stanislaus, the legal debt limit consisting of only general obligation bonded debt is set by California Government code section 29909 at 1.25% of the total assessed valuation.

Planning County Capital Project Financings

The DCR presents a composite picture of Stanislaus County's financial position both historically and as expected in the future based on existing circumstances and select variables. By examining the County's current financial standing, assessing strengths and weaknesses, and projecting the impact of possible future debt issuances and other factors, the DCR is intended to assist County officials to answer the crucial question, "How much additional debt can Stanislaus County really afford?"[12]

The consequences of excessive debt could reach well beyond the County's borrowing costs, affecting the economic well-being of the County and the welfare of its citizens. High debt could result in taxes that overburden its residents. If debt were excessive relative to neighboring counties it could have a negative impact on decisions to live in or establish businesses in Stanislaus County. In addition, since debt is a fixed cost, excessive debt could limit the flexibility of the County to deliver desired and essential services (both current and future). Conversely, too little debt, when coupled with unmet infrastructure needs, could indicate that the County had failed to meet its capital-expenditure responsibilities and could negatively affect decisions to live or work in Stanislaus County.

The DCR contributes to planning for the County's capital project financing needs by focusing the attention of officials on the County's entire range of debt obligations. Rather than focusing on proposed issuances on a one-by-one basis, looking only at immediate needs, the DCR attempts to illustrate how potential debt issuances or other events might affect the County's opportunities several years down the road.

Currently, Stanislaus County produces numerous excellent planning and financial documents which discuss the current and future allocation of County resources. These documents include among others: the Proposed Budget, the Final Budget, the Annual Financial Report or Audit Report, the Master Capital Improvement Plan, and the General Plan. These documents address the supply and demand for County goods, services, and capital facilities and assess the cost of providing these key public goods and services. Thus, all of them contribute to answering the question, "How much additional debt can Stanislaus County really afford?"

The DCR is another useful tool for planning the future allocation of limited County resources. Since debt service is essentially a commitment to future expenditures, the DCR supplements the other County documents by evaluating the level that will be spent on debt service given current County commitments and the amount that might be spent prudently given the County's existing economic and financial constraints. Although not by any means a debt forecast, the DCR can be juxtaposed with various

[12] A parallel and equally important question: "How much debt can Stanislaus County's residents and taxpayers support?" addresses the overall debt burden on residents and taxpayers resulting from debt issued by all local agencies including cities, school districts, assessment districts, etc. This is the subject of an overlapping debt study and not examined here in depth.

County forecasts to analyze implications of different revenue and expenditure scenarios.[13] Taken in tandem with other County documents, policies, and objectives, the DCR becomes both a planning and an implementation tool for financing the infrastructure of the County and, ultimately, for realizing the community's vision of itself.

Maintaining and Enhancing the County's Bond Market Position

When local governments enter the bond market, the rating agencies analyze the local government's credit worthiness and issue ratings in order to provide bond investors with a comparative measure to assist them in making informed investments based on their individual risk tolerance levels. Large institutional investors and bond insurers perform similar credit reviews themselves, as well, to judge transactions against their own investment criteria.

The DCR, however, fills a different need to the bond issuer: it addresses how to minimize financing costs and maximize the marketability of its issues. This entails maintaining or strengthening the County's credit position as seen by the rating agencies and other market participants. There are two ways that the DCR can help to strengthen the County's market position: The first is *preventative,* the second *strategic.*

Preventative. The DCR might reveal that the County's debt levels are reaching a point at which they may exceed the County's ability to meet its obligations. In this situation, the document may signal the approach of distress before the County approaches a potential credit downgrade, or worse, a potential default under its current debt burden or before the County precipitates a future default by imprudently adding to this burden.

Default must be avoided at all costs. The harm done to a public jurisdiction's credit reputation as the result of a default is almost beyond calculation. Bond analysts and investors have long memories, and most feel that a default tarnishes the financial image of a governmental body for at least a decade. Even after a public body has reformed itself to the point where it can return to the capital markets, it can expect to pay a higher cost for new debt or a refinancing of existing debt.

The ability to avoid default and meet maturing bond principal and interest payments is closely tied to the economic conditions in a given jurisdiction (although the make-up of the jurisdiction's taxing structure can also be a factor in how it weathers an economic downturn). Whether the community is experiencing vibrant or receding economic

[13] In contrast to typical forecasts, future debt service is based on legally binding contracts, not just on expected trends. Unless Stanislaus County were to take on debt with a variable rate of interest, its debt service would be a "known quantity."

activity, the DCR can suggest margins of safety that should be established and maintained to comfortably service existing debt.[14]

Strategic. When the County enters the bond market its ultimate purpose is to borrow on the most favorable terms afforded by the market. Since the risk of actual default among California public agencies is generally very small, to establish appropriate ratings and borrowing rates the rating agencies and investors look more closely at the subtle quality differences among bonds structures and issuers. A poor quality rating, of course, tends to raise the interest rate demanded by the investor and the premiums demanded by bond insurers due to higher perceived repayment and liquidity risks.

The DCR assembles financial indicators which, when taken together, can point to where the County may be experiencing fiscal stress, or conversely, where its strengths set it apart from other similar entities. The County could use this information prior to issuing debt or meeting with rating agencies to try to improve its credit rating by placing more emphasis on its fiscal strengths and directly addressing its management accomplishments or plans to resolve any financial concerns. If obstacles are uncovered that make it difficult to take on additional debt at a particular time, the County can avoid entering the market needlessly. Conversely, by revealing strengths as well as weaknesses, the DCR empowers the County to play to its strengths whenever it goes to the market.

Differences Exist Between Rating Agencies

The largest rating agencies, Moody's Investors Service (Moody's), Standard & Poor's Ratings Group (S&P), and Fitch Investors Service (Fitch), each arrive at their respective credit ratings by examining information within the same four informational categories discussed in this report. They include economic condition, financial condition, debt burden, and administrative factors. However, within each category, not all rating agencies use the same criteria in judging fiscal strength.

S&P, for example, notes that economic factors usually play a more important role in determining a rating.[15] Under S&P's approach, agencies with higher income and a diverse economic base are deemed to have superior debt repayment capabilities. Moody's tends to look more closely at fund balance while Fitch underscores best financial practices and emphasizes the need for debt issuers to have specific policies in place that will insure debt repayment ability and mitigate unforeseen financial hardships.

While quantitative measures are widely used, each rating agency emphasizes the importance of qualitative measures and trends as well in assigning a rating. According

[14] A change in a debtor's credit condition is also likely to affect the market price of the security, even though the debtor continues to meet the terms of the debt servicing without interruption. In this way, the jurisdiction's credit deterioration may result in investor loss, even though no default has occurred.

[15] Standard & Poor's, "State and Local Government Credit Analysis by the Numbers," March 7, 2005

to S&P, quantitative ratios "are not rating benchmarks, precisely because they gloss over the critical link between a credit's financial risk and the environmental or sector risk—all of the challenges and opportunities that affect the credit, either positively or negatively. Means and medians reflect recent historical information, while credit ratings are forward looking." However, the agency also recognizes that "when examined and understood thoroughly, the quantitative information can not only shed light on individual credits relative to others, but can also lead to an understanding of the relative importance of specific measures and the assumptions underlying these factors."[16] Similarly, in its 2005 report on Local Government National Medians, Moody's cautions that, "The selected indicators should be considered as broad guidelines only. Performance relative to the guidelines is not an absolute indicator of credit quality, and a bond rating cannot be inferred within this narrow context. Each municipal credit is unique, and the consideration of numerous credit factors, each weighed separately, leads to the determination of a Moody's rating."[17]

Recognizing the differences in rating agency approaches to the rating process and responding to them appropriately may allow the County to improve or emphasize those criteria viewed as more important by one rating agency than the other. However, we must emphasize that the DCR is not a predictor of the rating Stanislaus County might receive from any rating agency.[18] Rather, the DCR provides information about the County's credit strengths and weaknesses which can be used in fashioning a rating agency strategy and identifies ranges of additional indebtedness that are likely to be deemed acceptable by rating analysts.

Finally, in addition to the credit analysts who review the County's credit in connection with ratings on new or outstanding bond or note issues, there are numerous other municipal market participants, including bond insurers, underwriters and investors who are likely to review the County's credit. These additional market participants often have credit analysts on staff to review many of the same credit criteria as the rating agencies. The term "credit analyst," as used throughout the DCR, applies to any participant in the municipal market who reviews the County's credit to assess the risk of the County's ability to meet its debt obligations.

Stanislaus County Ratings

All California counties share two fundamental credit constraints: (i) they have limited taxing and revenue generating ability; and (ii) they are agents of the State required to provide programs which are often not fully funded by the State. In general, the higher-rated counties have broader tax bases, more diverse economies and higher reserve levels. According to S&P, "In cases where ratings are lower than the 'AA' category (as

[16] Standard & Poor's Research, "U.S. GO Rating Distributions And Summary Ratios," May 2005.

[17] Moody's Investors Service Special Comment, "2005 Local Government National Medians," November 2005

[18] A rating on a specific issue will depend on a number of factors other than overall debt capacity, including the type and structure of the issue. Whereas a rating agency will give a rating to a specific transaction, the DCR examines the overall debt capacity of the County.

in Stanislaus County's case), there may be more remote and limited economic bases with limited income and wealth characteristics, or elevated unemployment figures that reflect some seasonality to the local economy. Broadly speaking, it is the more urbanized counties that have higher ratings."[19]

Table 6 below summarizes Stanislaus County's existing COP and POB debt issues and their insured and underlying ratings from S&P and Moody's. The insured rating is based on the credit worthiness of the company insuring the bonds, whereas an underlying rating is based upon the credit worthiness of the issuer or revenue stream actually pledged to the repayment of the bonds. The underlying rating demonstrates the bond issuer's credit quality on a stand-alone basis. We have also provided the implied County General Obligation (GO) ratings for each debt issue. The County's underlying[20] COP ratings of A (stable outlook) from S&P, and A3 from Moody's respectively are indicators of the rating agencies' favorable view of the County's credit. According to S&P, "An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong."[21] The number "3" appended to the Moody's 'A' rating signifies that "the bond is in the lower end of its generic category" while "issuers or issues rated A demonstrate above-average creditworthiness relative to other U.S. municipal or tax-exempt issuers or issues."[22] (Please see Appendix F and G for more rating definitions and equivalents).

[19] Standard & Poor's Research, "California Counties Maintain Credit Quality Despite Limited Flexibility," November 29, 2005.

[20] A published rating is S&P's standard rating service for municipal debt issues sold publicly whereas an underlying rating is a rating of the standalone capacity of an issuer to pay debt service on a credit-enhanced debt issue, without giving effect to the enhancement that applies to it. S&P's Public Finance Criteria 2000.

[21] Standard & Poor's Definitions of Bond Ratings, www.treasurer.ca.gov .

[22] Moody's Investors Services, Guide to Moody's Ratings, Rating Process and Rating Practices, June 2004.

Table 6: Current Debt and Ratings of Stanislaus County's COPs and POB.

LT Debt Type	Purpose	Par Amount	Insured Rating (S&P)	Insured Rating (Moodys)	Underlying COP Rating (S&P)	Underlying COP Rating (Moody's)
Certificates of Participation (Series 2004A)	Construction of Gallo Center for the Arts	$15,340,000	NR*	Aaa	NR	NR
Certificates of Participation (Series 2004B)	Construction of 12th Street Office building and parking garage	$27,455,000	NR	Aaa	NR	NR
Certificates of Participation (Series 1998A)	Construct a portion of government building with the City of Modesto	$22,160,000	AAA	Aaa	NR	A3
Certificates of Participaton (Series 1997A)**	Construct Agricultural Center and police officier training building	$12,035,000	NR	NR	NR	A3
Certificates of Participaton (Series 1997B)	Refund a portion of 1992 series A and B COPs	$10,630,000	AAA	Aaa	A***	A3
Certificates of Participaton (Series 1996A)	Refund remaining portion of 1989 COP	$55,920,000	AAA	Aaa	NR	A3
Certificates of Participaton (1995)	Refunding a portion of 1989 COP	$13,755,000	AAA	Aaa	NR	A3
Certificates of Participaton (Series 1992B)	Construct support services building for County jail facility	$10,155,000	AAA	Aaa	NR	A3
Pension Obligation Bond (1995)	Pay Stanislaus County Employees' Retirement Association for UAAL	$108,970,000	AAA	Aaa	NR	NR

*NR means "not rated"

**This COP was sold uninsured

*** This S&P rating was originally "A-p" (A minus provisional). It was updated to "A-" (A minus) on 4/8/1997 and subsequently upgraded to "A" with a stable outlook on 6/12/2001 (S&P rating desk 6/17/2005)

Source: Stanislaus County Bond Official Statements and FY 2005 CAFR; S&P and Moody's Rating Desks.

As a rule of thumb, COP ratings are below those of GO bond ratings due to differences in security and structure. How many notches the ratings are apart from each other depends also on the particular issues and the rating agency involved. Our observation for Moody's is that underlying COP ratings generally are two notches below those of GO ratings; for S&P the typical difference between COPs and GOs is one notch. The reason for the rating differential between COP and GO ratings is that lease debt is not backed by the full taxing authority of the County and, even with the County's covenant to make payments each year, COPs are still subject to abatement in the event the facilities are damaged or the County's use is otherwise impaired.[23]

The County's implied GO ratings of A+ (S&P) and A1 (Moody's) are among the highest of Stanislaus County's Central Valley peers. While there is no explicit ceiling on ratings for Central Valley counties, rating analysts explain that 'AA' category GO ratings are unlikely any time soon for Central Valley counties due to the combination of lower wealth and income levels, high unemployment and less diverse economies.

[23] See glossary, Appendix J, for definition of "Abatement".

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Section II

ECONOMIC CONDITION

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ECONOMIC CONDITION

Geography, Infrastructure and Recent Events

The strength of an issuer's economy serves as the bedrock in determining debt capacity and credit rating. The economy of a County affects its critical revenue sources such as property and sales taxes, and therefore directly affects the County's ability to service its existing debt.[24] An analysis of the economic condition of Stanislaus looks at economic and demographic factors that affect the County's ability to support debt.

Stanislaus County's geographic location in the heart of California's Central Valley is of strategic importance; it is located south-east of the San Francisco Bay with Modesto, the largest city in the area, as county seat. Given the climate and the fertile soil, Stanislaus County can continue to derive substantial benefits from its predominantly agricultural sector. Water and labor supply is adequate to reach this end. The County's developed highways, ports and railways also make it accessible from different parts of California thus enhancing travel, trade and business. Our later discussion on sales transactions within the County will illustrate this observable trend of a thriving business climate as well. Moreover, the relatively low cost of housing in Stanislaus County as compared to the Bay Area has caused an influx of residents who commute to the Bay Area.

The County is growing more and more diverse in economic terms which is critical in minimizing the severity of possible unforeseen hardships in the future. While Stanislaus is still heavily dependent on its rich agricultural sector, recent trends in migration to the Central Valley and growth in non-farm sector employment in areas such as manufacturing, retail trade, consumer products and technology are very encouraging (See Figure 1 and Figure 2). According to a recent report[25]non-farm employment is growing at a faster rate in the Central Valley area than in the rest of the State of California. For Stanislaus County alone, total non-farm employment is anticipated to increase by over 15% between 2001 and 2008.[26] Figure 1 shows that the total farm employment for Stanislaus County has dropped significantly over the last six years. The highest drop occurred between 2000 and 2001 when total farm employment declined from 15,700 to 14,100 (10.2%). Between 1990 and 2004, non-farm employment, however, increased 31.2% from 117,500 to 154,200 (Figure 2).

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[24] In addition, external factors such as State or federal legislative changes (ie. most recently, Proposition 1A), can also directly impact the ability of the County to rely on these various revenue sources by reducing or reallocating revenues, or by increasing or shifting program responsibilities. The past few years have provided ample evidence of the reaches of such legislative action, and the potential for future changes remains.

[25] Kleinhenz et. al., California Association of Realtors, Midyear Market Forecast 2003, www.goletarealestate.com, June 23, 2005.

[26] Employment Development Department, www.calmis.ca.gov, June 17, 2005.

Figure 1: Total Farm Employment has been quite sporadic—since 1999 it has dropped 15%

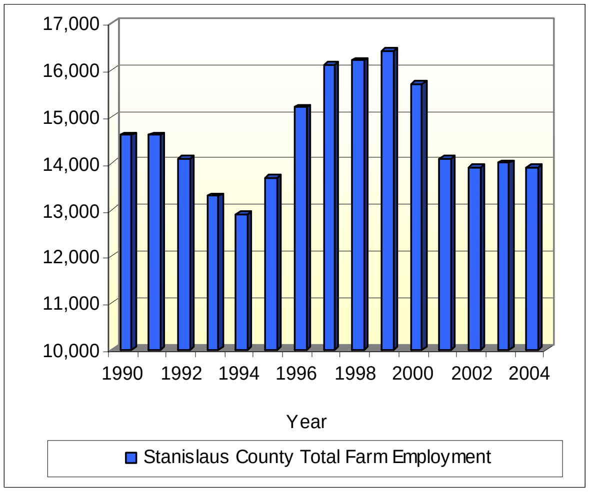
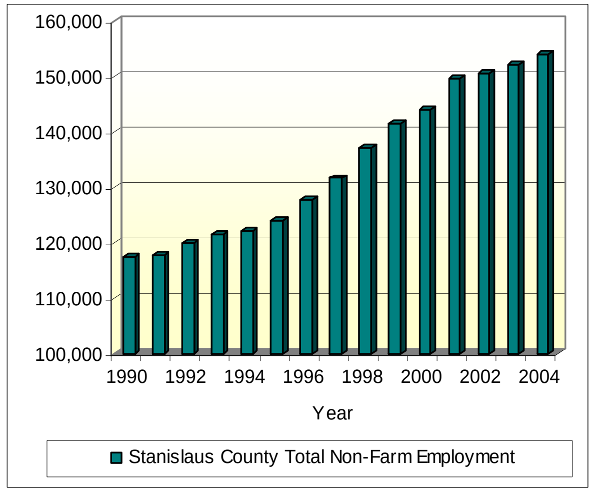


Figure 2: Total Non-Farm Employment has been increasing consistently for 14 years



Source: Employment Development Department, Labor Market Information Division, www.edd.ca.gov

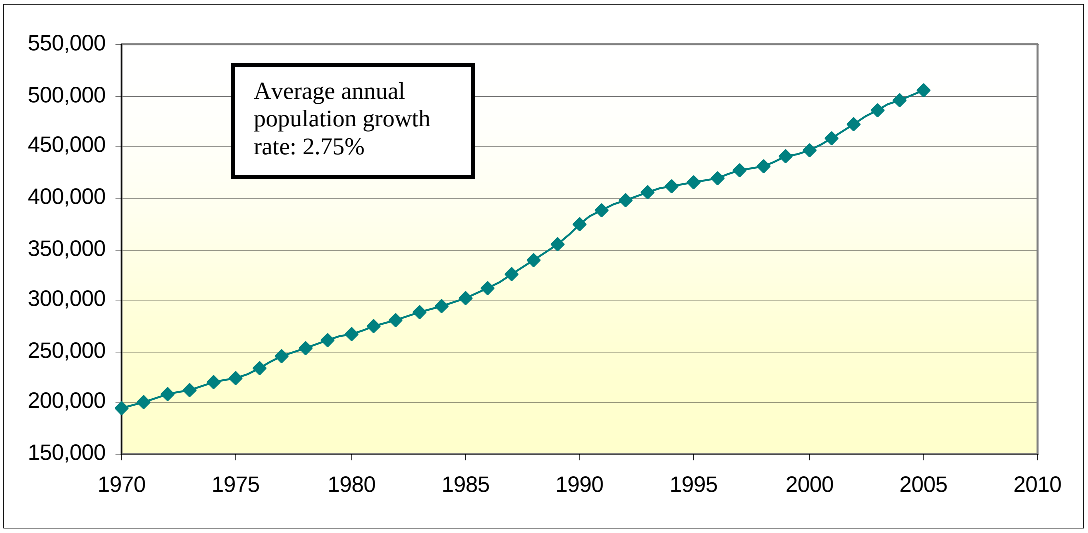
Demographic Information

The major rating agencies look closely at the diversity of the population of a county to determine the strength of its economic base. Key population attributes such as age, education, labor skills and competitiveness, wealth and income levels, as well as trends in population growth and characteristic population shifts provide insight into the debt repayment capability of an issuer.

Population. The population growth rate in Stanislaus exceeds that of the entire State. Over its last 35-year history depicted in Figure 3, the County has experienced an average annual population growth rate of 2.75% compared to 1.75% for the State. Stanislaus County's consistent population growth is attributable in part to the recent influx of skilled labor from the Bay Area as professionals seek affordable housing outside the Bay Area. According to a recent study conducted by DRI WEFA Inc, "The geographic location of Stanislaus County, in the northern San Joaquin Valley, is more accessible than the remainder of the valley to the metropolitan concentrations of San Francisco, San Jose and Sacramento. The County is thus a natural choice for spill over development from the area that drove California's late 1990s economic boom…A favorable cost of living differential has already produced substantial relocation into the County by individuals employed in other jurisdictions, a trend likely to increase."[27]

[27] DRI WEFA Inc, A Forecast of Population (2000-2040) for Counties in California including Stanislaus County, Official Statement, Stanislaus County Tobacco Settlement Asset-Backed Bonds, Series 2002.

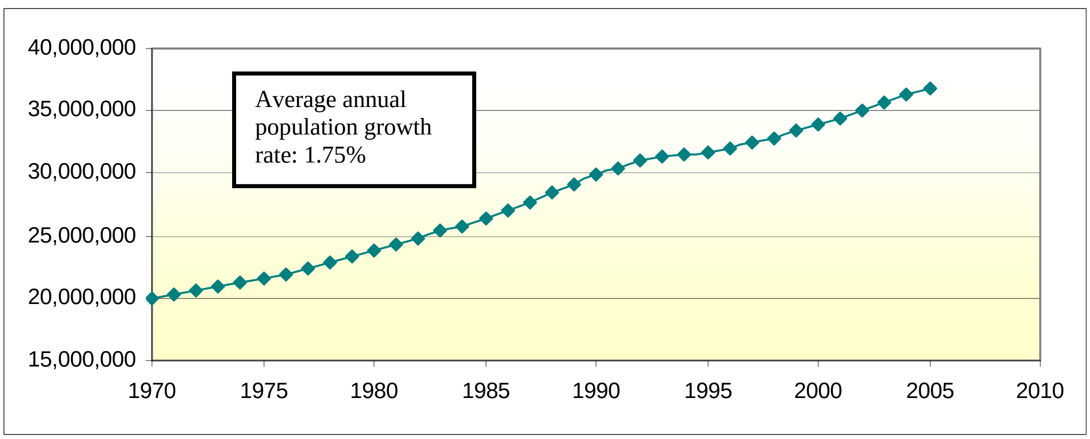
Figure 3: The Annual Population Growth for Stanislaus County is higher than the State's



Source: California Department of Finance, www.dof.ca.gov, 2005.

According to the County, the majority of the recent population increase occurred in the incorporated cities which account for 75% of the County's population.[28] The effect of higher growth in the incorporated areas is a more stable and sustainable economy.

Figure 4: Annual Population Trend for the State of California



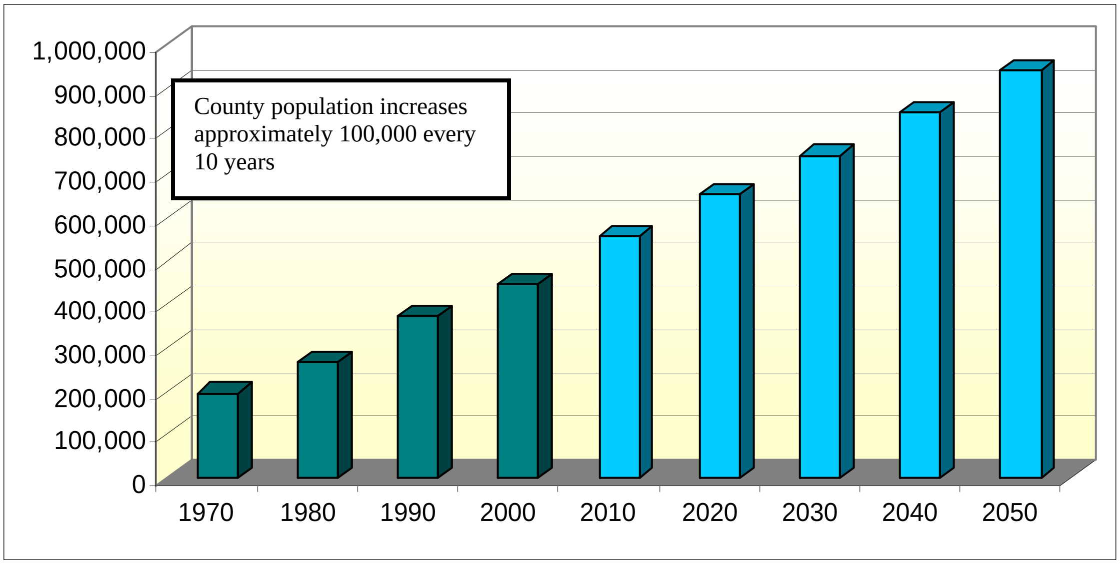
Source: California Department of Finance, www.dof.ca.gov, 2005.

But while population is flourishing in the Central Valley and the area is becoming more of a bedroom community for the Bay Area, the associated increase in demand for services and infrastructure such as better roads, schools and hospitals cannot be overlooked. Central Valley Counties, including Stanislaus County, need to brace themselves for increased expenses that will inevitably result from the rapid population growth.

[28] Stanislaus County Final Proposed Budget FY 2005-2006, p. 22.

However, since the Stanislaus County population growth is accounted for mainly by individuals who command higher wages, the growth of Stanislaus County's population can be arguably viewed in a positive light (See Wealth and Personal Income discussion below). Against this background, the future looks fairly bright for the County. Projections from the Department of Finance indicate that the population of Stanislaus will surpass the half-million mark by July 1, 2010. Figure 5 shows several decades of population information for the County. Data beyond 2000 are forecasted and consistent with 10-year historical population increments of approximately 100,000 people.

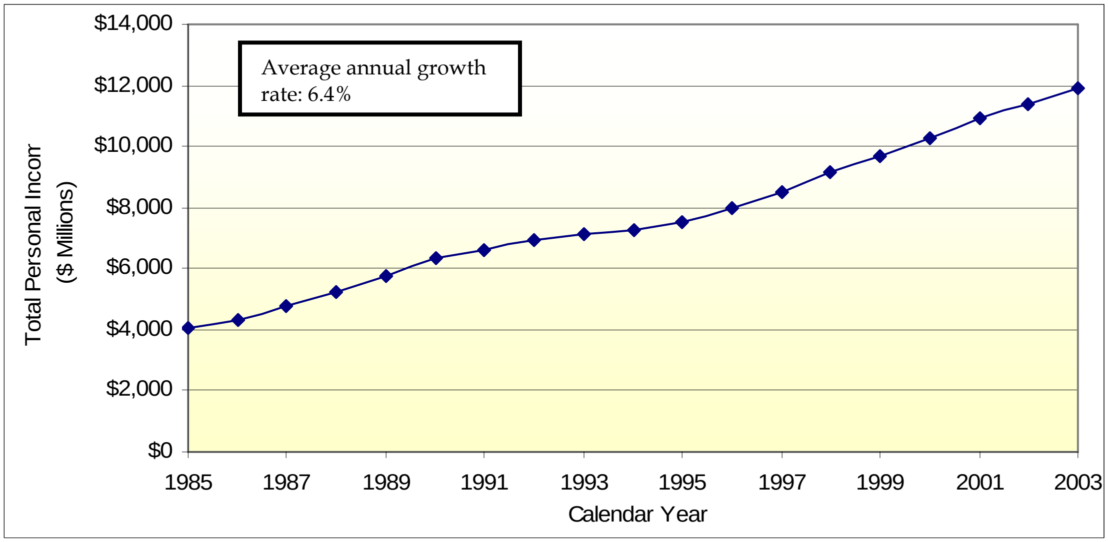
Figure 5: 10-Year Interval Population Trend and Projections for Stanislaus County



Source: California Department of Finance, www.dof.ca.gov, 2005.

Wealth and Personal Income. In addition to the encouraging growth in the number and diversity of Stanislaus County residents, total personal income for the County is increasing as well. Figure 6 shows the observed trend in total personal income for the County from 1985 through 2003. The average annual growth rate for the period is 6.4%. There is no question that the capacity of the County residents to bear a heavier debt load is increasing, but whether residents are willing to do so is a question whose response we will infer from tax collection and delinquency rates which we shall address shortly.

Figure 6: Total Personal Income of Stanislaus County is Increasing Steadily



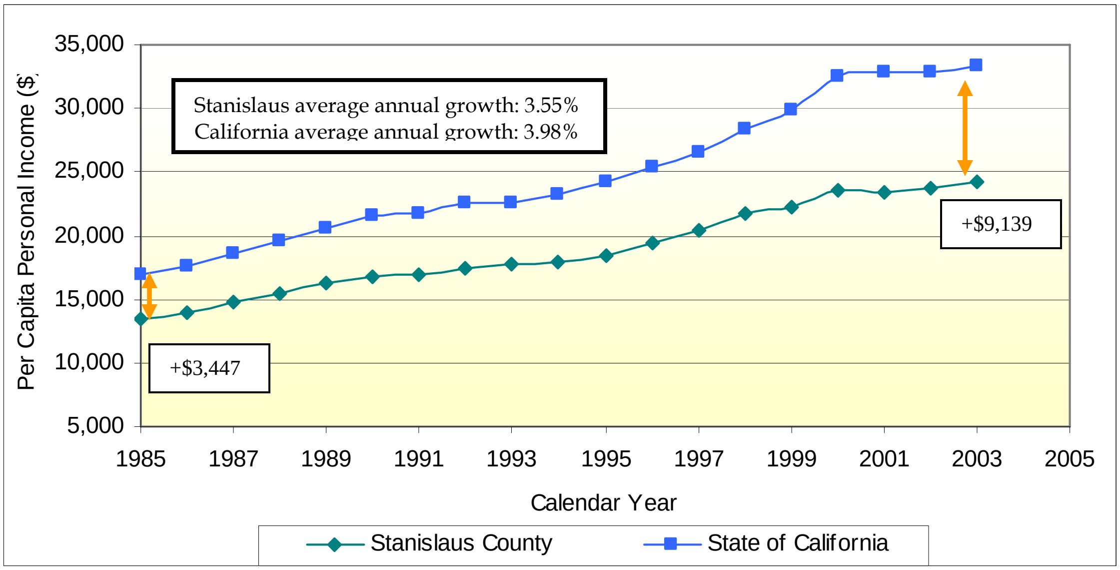
Source: Regional Economic Accounts, www.bea.gov.

Per capita personal income has been steadily rising over the years as well. According to Figure 7, per capita income has risen every year for at least 18 consecutive years. For this same time period, the average annual per capita personal income growth rate is computed to be 3.55% whereas the recent average annual inflation rate[29] has been about 3%. This trend suggests that the standard of living of individual County residents is improving and sends a positive signal to rating agencies who view wealth and income characteristics as critical in deciding the debt repayment capacity of a County. As County citizens become relatively wealthier, they spend more money and are capable of paying more sales and property taxes from which the County derives a bulk of its discretionary revenues.

Unfortunately, the fact that the per capita income of the County as well as its historical annual growth rate remains below that of the State is viewed as a credit negative by rating analysts. This has been lingering for a long time and does not look very likely to disappear anytime soon. In fact, the historical gap has widened noticeably since 1985 and the County needs to pay close attention to bridging this gap in future years to the extent possible.

[29] Consumer Price Index (CPI) data was obtained from http://inflationdata.com, June 20, 2005.

Figure 7: Per Capita Personal Income of Stanislaus County is Growing Although it Falls Consistently Below that of the State



Source: Regional Economic Accounts, www.bea.gov, as of 2003.

Tax Base

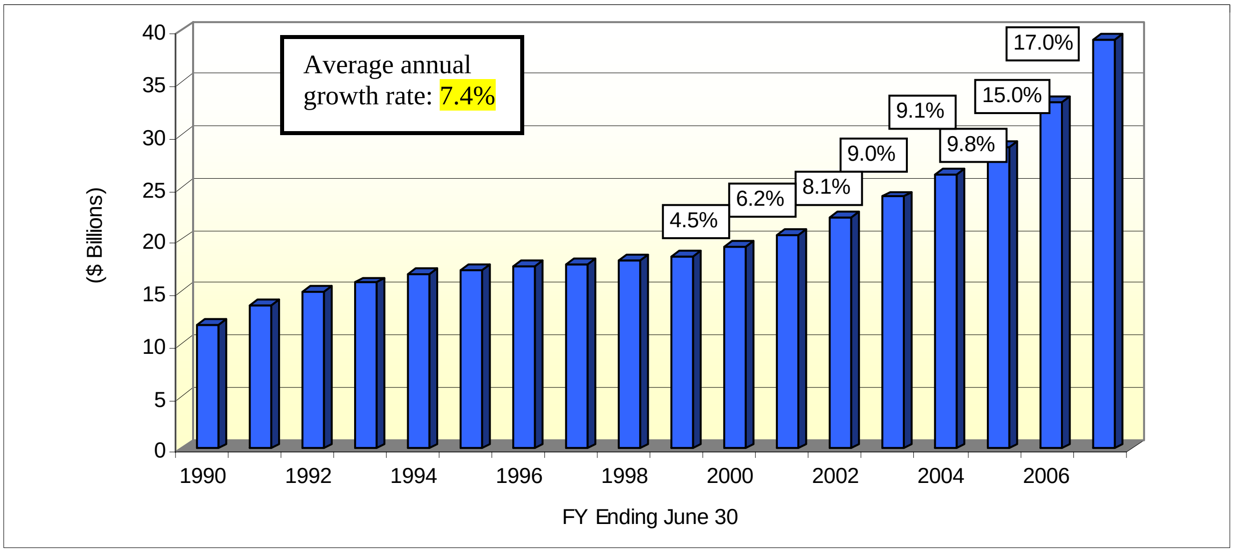
Assessed Valuation. A critical measure of solvency for a county is the size of its tax base. Growth in the tax base implies that the County will be able to derive greater revenues in the form of taxes to meet debt and other obligations. The greater the diversity of the tax base, the more favorable the future outlook. For this DCR, we looked at the aggregate value of commercial, residential and industrial taxable properties, secured and unsecured, as measured by the Total Net Assessed Valuation (NAV)[30] for the County. Our data analysis spans the last 17 fiscal years.

The growth in NAV for Stanislaus County over this period has been substantial, particularly from 1999-2007, contributing to the County's stable debt rating and increased debt capacity. Since 1990, the County's debt rating has actually improved although the State has gone through two major recession cycles.

The reported NAV for FY 2006-2007 (see Figure 8) represents an increase of almost 17% from the previous fiscal year. Overall, total NAV has been growing at an average annual growth rate of 7.4% since 1990. Assuming the same growth rate going forward, in 2010 and 2020, the County will be expected to report NAVs of about $44B and $90B respectively. Of course the realization of these taxable property values is dependent on many factors over which the County has minimal control. And most experts believe that this growth rate will not be sustainable (See Section VI and Appendix I for Sensitivity Analysis Data).

[30] Net Assessed Values are full values of taxable property net of State subventions as per the Assessor's assessed roll. Adjustments and cancellations after publication of the roll are not included, Stanislaus County 2003-2004 FY CAFR, p. 101.

Figure 8: Trends in Net Assessed Valuation for Stanislaus County



Source: Stanislaus County FY 2004-05 CAFR and County Auditor-Controller Office.

Top Ten Taxpayer Concentration. From Table 7, we learn that Stanislaus County's top ten taxpayers accounted for a total of $15.7 million in property taxes for FY ended June 30, 2005. While 9 of then 10 taxpayers contributed over $1 million in property taxes, as a whole they accounted for only 4.63% of the total. The portion contributed by Diablo Grande, the largest taxpayer in Stanislaus County, is 1.33% of all of the tax payers. Further, the top ten taxpayers belong to four different industries: commercial, manufacturing, medical and utility. The low top ten taxpayer concentration and the diversity of industries they represent are evidence that Stanislaus can reasonably expect stability in its tax revenue funds going forward.[31] Rating agencies looks upon such information very favorably.

[31] State laws and statewide propositions have historically had enormous impact on the amount of property taxes received by the County such as those reallocating property taxes to schools (ERAF) as a means of balancing the State's budget. We shall discuss some recent legislative actions and the impact they are likely to have on General Fund revenues in Section III of this report.

Table 7: The Top Ten Principal Taxpayer Concentration of Stanislaus County is Lower than S&P's Median Value

Tax Payer	Type of Business	Property Taxes	% of Total Property Taxes
1 Diablo Grande, LTD	Commercial	$4,444,999	1.33%
2 Gallo Glass Co.	Manufacturing	$1,738,928	0.52%
3 Signature Fruit	Manufacturing	$1,396,438	0.42%
4 Pacific Gas and Electric	Utility	$1,264,549	0.38%
5 Gallo Winery	Manufacturing	$1,236,655	0.37%
6 Doctors Medical Center	Medical	$1,226,499	0.37%
7 Foster Dairy Farms	Manufacturing	$1,082,731	0.32%
8 SBC California	Utility	$1,060,492	0.32%
9 Hershey's Chocolate, Inc.	Food Products	$1,049,265	0.31%
10 Hunt Wesson Foods, Inc.	Manufacturing	$972,884	0.29%
	Total	**$15,473,440**	**4.63%**

Source: Stanislaus County FY 2004-05 CAFR, p. 105.

Property Tax Collections and Delinquencies. Stanislaus County's tax collection has been very good historically. We infer from a 97.6% collection rate in FY 2005 that the residents are very willing to support the local government's fiscal policies. According to Table 8, over the last decade, the worst delinquency balance to total tax charge of 2.7% occurred in 1996. Since then, the ratio declined steadily to a low of 2.1% in 1999. Between FY 2000 and FY 2002, it stayed relatively constant. The reason for the increase in delinquency balance to total tax charge ratio from 1.7% to 2.6% for FY 2003 and FY 2004 respectively is worth exploring. Fortunately the ratio declined slightly to 2.4% for the FY 2005. While the ratio is still low, if left unchecked more increases could adversely affect tax property revenues in the future.[32]

Table 8: Property Tax Collections and Delinquency Rates

FY	Tax Charge*	Collections through 6/30	Delinquent Balance	Ratio**
1996	$194.51	$189.12	$5.38	2.768%
1997	$197.22	$191.82	$5.40	2.738%
1998	$201.54	$197.21	$4.33	2.149%
1999	$205.54	$201.22	$4.32	2.099%
2000	$221.08	$216.20	$4.89	2.210%
2001	$233.33	$228.05	$5.29	2.267%
2002	$251.56	$245.88	$5.67	2.256%
2003	$274.75	$270.05	$4.70	1.712%
2004	$303.84	$295.83	$8.01	2.635%
2005	$333.90	$326.00	$7.90	2.366%

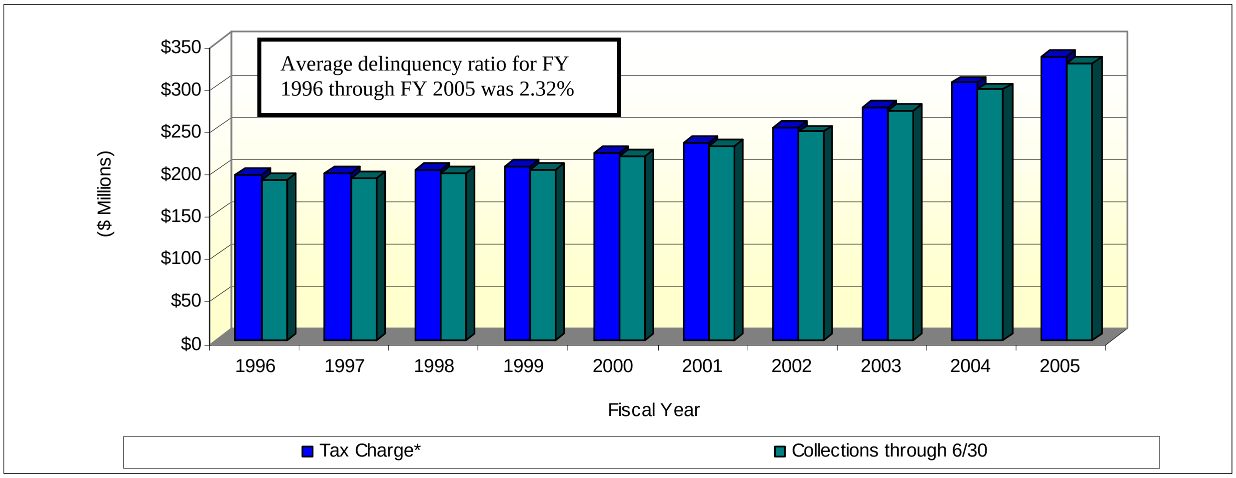
* Excludes Airplane Tax

**Delinquency Balance/Tax Charge

Source: Stanislaus County FY 2005 CAFR

[32] The FY 2003 reported delinquency balance to tax charge ratio is an estimate provided by the Auditor-Controller's office for Stanislaus County.

Figure 9: Trends in Property Tax Collections for Stanislaus County



*Excludes Plane Tax

Source: Stanislaus County FY 2004-05 CAFR.

We can safely conclude that Stanislaus County has a relatively strong and stable tax base, given that

1. Net assessed valuation has consistently increased from year to year,
2. There is a low degree of concentration among leading tax payers, and
3. Tax collections have been very reliable in the past.

In Section III of this report, we will further discuss the characteristics of property taxes and why they are generally considered to be stable sources of revenue for a governmental entity.

Employment Base

Employment rates and trends tell a lot about the state of a county's economic base since they predict the potential for economic growth and the ability of a county to withstand shocks in the future. Historical and predicted trends in employment in Stanislaus County paint a mixed picture about the strength of its employment base.

Stanislaus has a predominantly agricultural economy which accounts for a third of all the County's jobs. This sector also serves as the major driver for economic activity within the County. It is estimated that every dollar of actual agricultural production generates $3.50 in economic activity through processing, packaging, marketing and retailing.[33] On the other hand, non-farm employment is expected to experience substantial growth within the next couple of years. According to the California Employment Development Department, between 2001 and 2008, non-farm employment is expected to increase by over 15%. Within this same time frame, the construction sector is expected to add 2,000 jobs; Manufacturing, 2,600; Transportation and Public

[33] Stanislaus County Proposed Annual Budget FY 2005-2006.

Utilities, 1,300; Trade, 6,000; Services, 7,000; and Government, 3,200. Interestingly, the occupation that is expected to have the fastest job growth from 2001 to 2008 is Computer Support Specialist with a projected growth rate of 50%! Other rapid growth jobs include Pest Control Worker, Social and Human Service Assistant, Sheet Metal Worker, Personal and Home Care Aide, Medical Records and Health Information Technician, and Pharmacy Technician[34].

Top Ten Employers. The top 10 employers of Stanislaus County (depicted in Table 9) belong to six different enterprises and four different industries. This is evidence of a relatively diverse employer base within the County.

Table 9: Top 10 Employers of Stanislaus County as of June 30, 2005.

Employer	Employees*	Type of Enterprise
Stanislaus County	4,747	County Government
Signature Foods	4,100	Manufacturing
Modesto City Schools	4,000	Education District
E&J Gallo	3,425	Wines
Del Monte Foods	2,600	Manufacturing
Memorial Medical Center	2,600	Health Care
Doctors Medical Center	2,300	Health Care
Stanislaus Foods	2,000	Manufacturing
Modesto Junior College	1,866	Education Institution
Turlock Unified School District	1,851	Education District

* Reflects peak seasonal levels where applicable.

Source: Stanislaus County FY 2004-05 CAFR, p. 110.

Unemployment Rates. Unemployment rates in Stanislaus County still remain quite high (Figure 10). In 2005 when the unemployment rate[35] of the entire State was 5.4%, that of Stanislaus was 8.3%. Compared to a rate of 15.5% in 1995 for the County, however, this represents a marked drop. During the last 5 years of the 1990's, County unemployment rates were consistently higher than 10% and the average rate for the period was 13.2%. This average fell by over 4% to 8.8% from 2000 to 2005. Also the rates for this recent period have all been below 10%. While rates rose slightly between 2001 and 2003, it appears that they are currently on the decline. As it currently stands, the unemployment rate of the County is a credit negative that analysts will not likely discount.

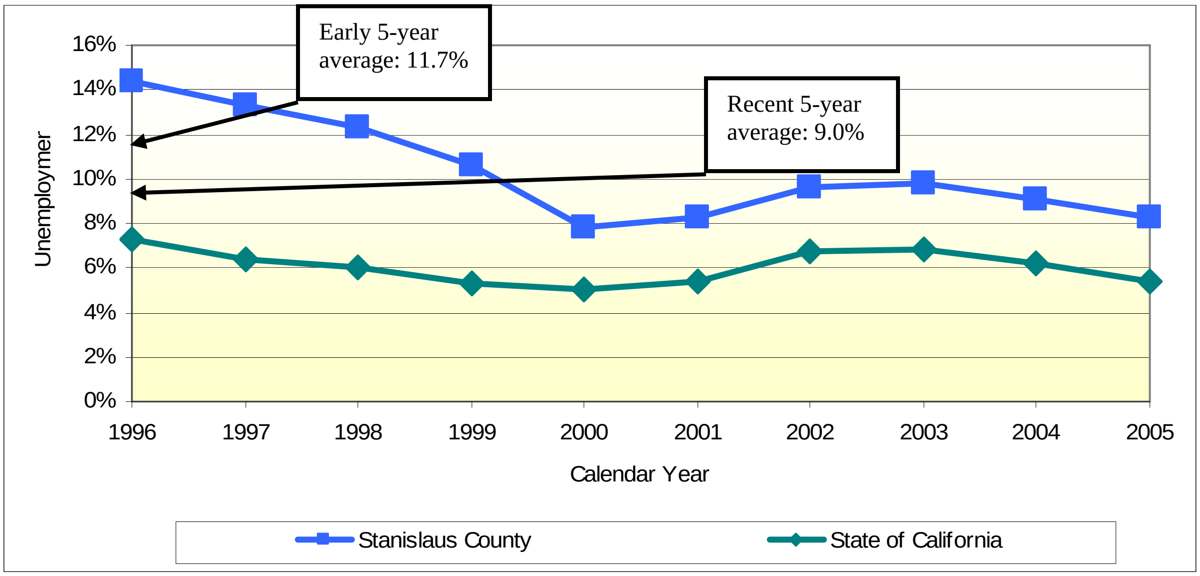
The cyclicality of Stanislaus County's dominant agricultural economy is largely responsible for why the County's unemployment rates are consistently higher than those of the State. Since 1995, the unemployment gap between the County and the State has decreased from 7.6% to 2.9%. This much welcomed trend in conjunction with the

[34]California Employment Development Department, www.calmis.ca.gov, June 17, 2005.

[35] Unemployment rates reported here and in Figure 10 are not seasonally adjusted. Please see Glossary in Appendix I for the definition of seasonal adjustment and unemployment.

observed increase in non-farm jobs which generally tend to be less affected by changes in the weather and other seasonal changes is a credit positive.

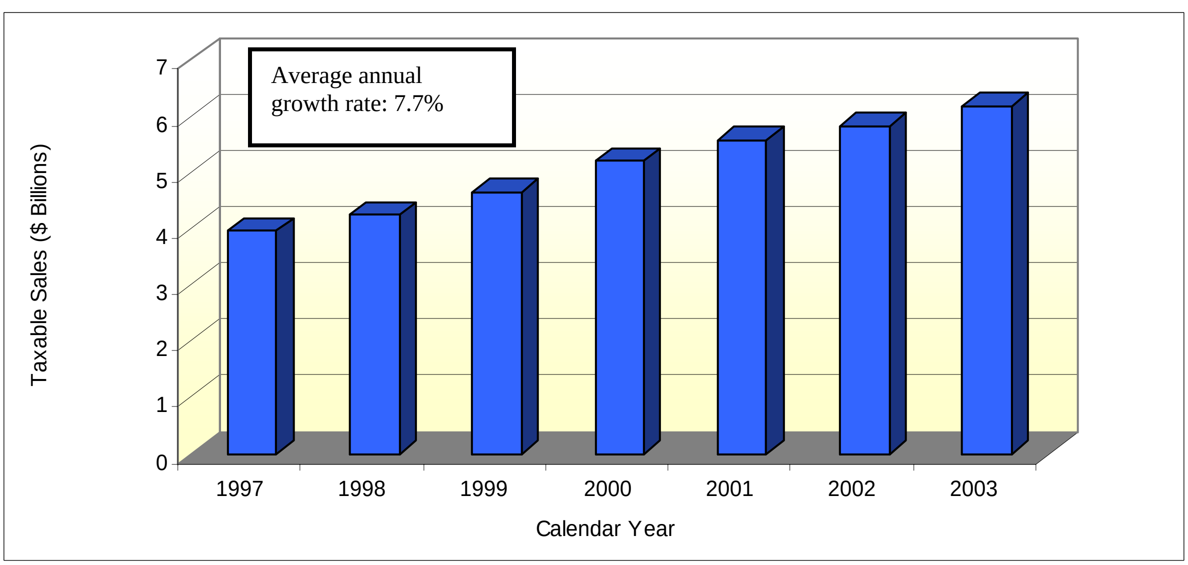
Figure 10: The Unemployment Rate of the County remains high, but the differential gap between Stanislaus County and the State Unemployment rate has been closing in recent years



Source: California Employment Development Department, www.calmis.ca.gov

Taxable & Retail Sales Trend. Taxable transactions within Stanislaus County, according to the California State board of Equalization, have been on a steady ascent since 1997. For the most recently reported data, in 2003 total taxable transactions for all Stanislaus County cities amounted to $6.18 billion, representing a 6.0% increase over sales in 2002. Reported taxable transactions since 1997 are graphically displayed in Figure 11 below. The mean annual growth rate for the seven year period is 7.7%.

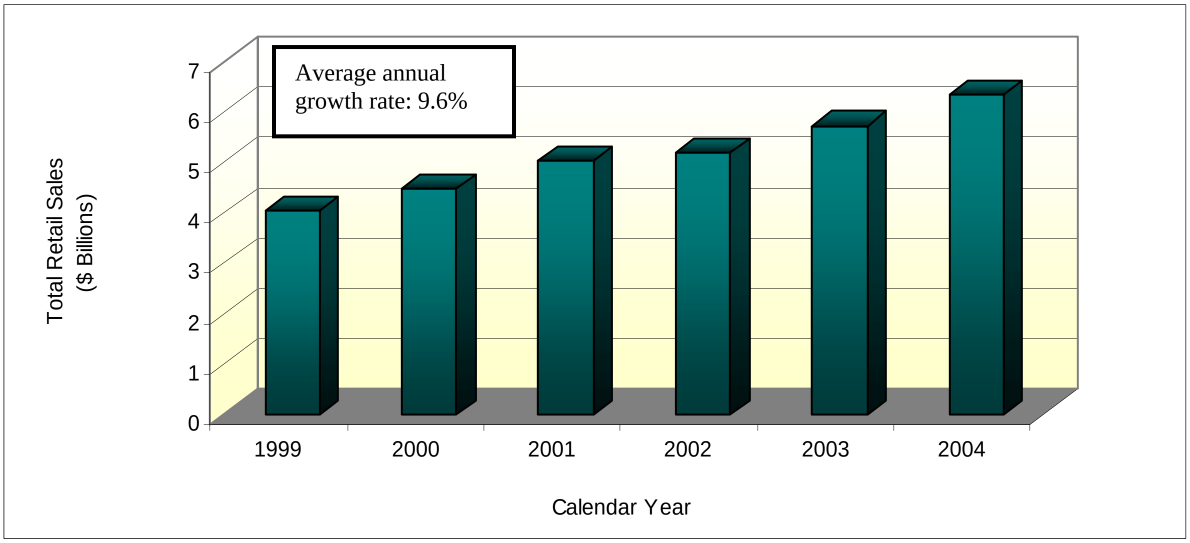
Figure 11: Taxable Sales for Stanislaus County Are Growing Steadily



Source: California State Board of Equalization, www.boe.ca.gov

Growth in retail sales has also followed a similar increasing trend. Over the last six years, retail sales have grown steadily at an average rate of 9.6% per year. Total retail sales for 1999 and 2004 were $4.0B and $6.4B respectively, representing a cumulative growth of almost 60% over this six-year period.

Figure 12: Retail Sales for Stanislaus County Are Growing Rapidly



Source: California State Board of Equalization, www.boe.ca.gov.

The taxable and retail sales values for Stanislaus County are very encouraging. They reflect a thriving economy and will be favorably viewed by rating agencies and market participants.

Economic Ratios

This section on economic ratios provides quantitative measures by which we can gauge Stanislaus County's economic position relative to national averages and generally recommended guidelines provided by rating agencies. In this section we consider Stanislaus County's Effective Buying income relative to State and National Levels, Assessed Value per Capita and Top Ten Taxpayer Concentration. Effective Buying income directly reflects the economic strength of a county's population. Assessed Value per Capita gives not only an indication of the strength of the property tax revenue stream but also the level tax burden on the general population. Top Ten Taxpayer Concentration illustrates the sensitivity of a county to the loss of the larger businesses within its boundaries.

Effective Buying Income Relative to State and National Levels. Data presented earlier have clearly established that the wealth of the residents of Stanislaus has consistently increased over the last 18 years. We also computed the average annual per capita personal income growth to be 3.55% for this period and inferred the citizens could afford to spend more money and the County could extract greater revenues from them in the form of taxes. But how do Stanislaus residents stack up against average residents of the State of California and the Nation as a whole?

According to information gathered from the Sales and Marketing Management's Magazine, Survey of Buying Power, between 1996 and 2005, Total Effective Buying Income (EBI)[36] and Median Household EBI for Stanislaus County increased by 47.8% and 28.3% respectively. The equivalent measures for the State were 47.6% and 27.2%, and those for the entire Nation are 43.6% and 21.2% respectively. Thus, growth in income levels for the County are keeping abreast with those of the State and outperforming the National averages. The trend in Household EBI relative to the State median value and National median value from FY 1996 through FY 2005 are presented in Figure 13 below. The average Stanislaus Household EBI relative to the State median and the National median values from 1996 through 2005 are 84.1% and 91.8% respectively.

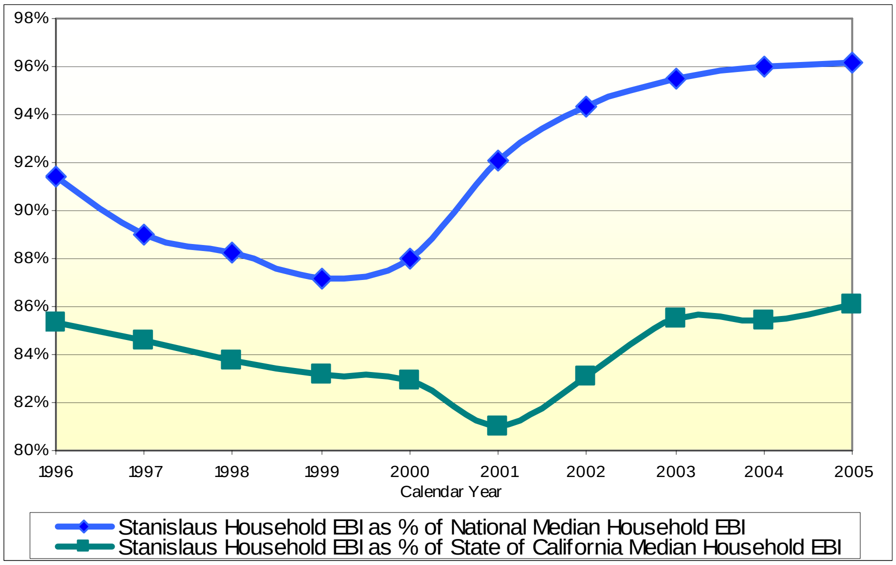
Although the increasing trend in EBI is favorable, the median Stanislaus County family is still poorer than the median U.S. family and still poorer relative to the median California family. The most recent Median Household EBI for Stanislaus expressed as a percentage of the National Median Household EBI is 96%. If the growing EBI trend continues, as it is likely to do with the influx of wealthier residents into the County, then the County can expect improvement in the ratios.

S&P recently reported that the median household EBI expressed as a percentage of the U.S. median for all actively A-rated counties is 93%.[37] Hence, while still low, Stanislaus County ranks above the median in its rating category. Considering the fact that Stanislaus is a predominantly agricultural County with relatively lower prevailing wages, the current ratio and its potential to keep increasing into the future, might mitigate an otherwise negative outlook on the County's wealth levels.

[36] EBI data prior to 1996 are not comparable to recent data since there has been a variation in the methodology of computing EBI which excludes certain sources of income. See Stanislaus County 1997 Series A Official Statement p. A-8. See Glossary, Appendix J, for the difference between EBI and personal income.

[37] Standard & Poor's, U.S. GO Rating Distributions And Summary Ratios, March 2006.

Figure 13: Income Levels for Stanislaus County relative to the Nation have been rising steadily since FY 1999. However, the rates still remain below those of the State and the National median.



Source: Survey of Buying Power, Sales and Marketing Management Magazine 2005.

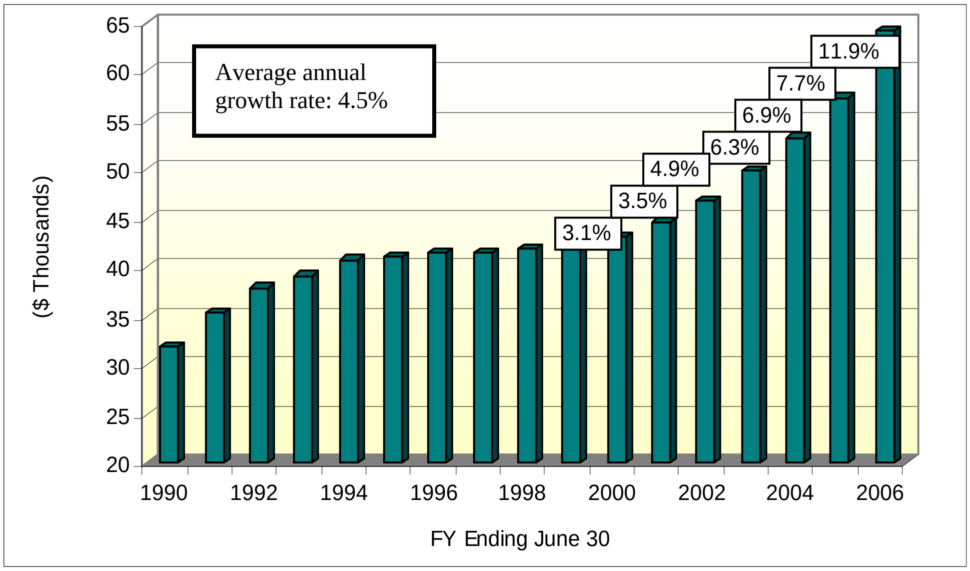
Assessed Valuation per Capita. Another important quantitative measure that is used by rating agencies to assess the economic strength of a county is the ratio of Assessed Valuation (AV) to Population, or AV per Capita. The higher the AV per Capita, the stronger the economic base of the County. Also, the rate of growth of AV per Capita is a fairly good indicator of the sustainability of the County's economic base going forward. Since average annual historical growth rate in population (2.8% for last 35-year history) is less than that of AV (4.1% for last 15-year history), it is expected that AV per Capita values for the County will be favorable.

Figure 14 shows AV per Capita values for the County since 1990 and confirms our expectation. Since the late 1990's AV per Capita for Stanislaus County has actually increased exponentially. From FY 1990 to FY 2006, the average annual AV per Capita[38] growth rate is computed to be 4.52%. The overall growth from 1990 to 2005 is 101.25% ($31,860 to $64,110). Interestingly, the highest AV growth rate recorded over the last decade will occur during FY 2005-2006[39] at 11.9%.

[38]The County's population for 2006 was estimated based on historical data.

[39] This is the same year that historical AV growth is at its peak. See Figure 8.

Figure 14: Assessed Valuation per Capita for Stanislaus County has been growing exponentially in recent years



Source: Computed from Annual Assessed Valuation and Population Data.

From the perspective of major rating agencies and generally accepted guidelines, the most recent FY 2006 AV per Capita of $64,110 falls within the "Average" category.[40] In fact, because Market Values (MV) are typically used in computing this ratio, the actual MV per Capita for Stanislaus County could well be higher since MV values tend to be usually higher than AV values. S&P's median AV per Capita value for all actively A-rated counties nationally is $52,214.[41]

Top Ten Taxpayer Concentration. Finally, in our discussion of the County's tax base, we talked about the concentration of the top 10 taxpayers (see Table 7). We found that for Stanislaus County, the top 10 taxpayers operated in four different sectors and were responsible for only 4.63% of the total property tax dollars in the most recently reported data for FY 2005. This low value places Stanislaus County in the "diverse" category.[42] Credit analysts and market participants will be very pleased with such a low taxpayer concentration. S&P states "If a tax base is concentrated, in either payers or sectors, there may be a vulnerability to any changes in one or a few taxpayers' assessments, especially when property taxes comprise a large portion of the revenue base."[43] The median top 10 taxpayer concentration that S&P provides for all actively A-rated counties is 9.7%.[44]

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[40] Average AV per Capita ranges from $47,618 to $71,175. S&P Public Finance Rating Criteria, 2005.
[41] Standard & Poor's, U.S. GO Rating Distributions And Summary Ratios, March 2006.
[42] Diverse taxpayer concentration are for values less than or equal to 15%. S&P Public Finance Rating Criteria, 2000.
[43] Standard & Poor's Public Finance Rating Criteria 2003, p. 41.
[44] Standard & Poor's, U.S. GO Rating Distributions And Summary Ratios, May 2006.

Summary and Conclusion

In Table 10 below, we summarize key economic indicators for the County in comparison to rating agency benchmarks and medians. In Figure 15, we use simple color codes to designate how the County ranks in our estimation for each category. Overall, the discussion and data presented above attest to a relatively strong economic base of Stanislaus County. The aggregate of its location on the fertile soils of the California Central Valley, a growing and increasingly diverse population, the developed infrastructure and increasing wealth of residents, a stable and sustainable tax base and an improving employment base as evidenced by overall declining unemployment rates and increasing taxable and retail sales contribute to making the County one of the most economically sound local government bodies in the Central Valley. (We shall discuss this further in Section V: Peer Group Discussion.) A sound economic base will enable the County to withstand unanticipated shocks in the future, and continue to be in a position to issue additional debt and service existing debt payments. However, the County's wealth and income levels are below State and national medians, and the County's employment base is still heavily reliant on agriculture and not as diverse as the economic bases of higher rated counties. Both of these considerations are cautionary and suggest limits to the County's ability to incur additional indebtedness.

The economy alone does not tell the entire story about a county's debt capacity. Another important factor which we shall discuss next is the County's financial position.

Table 10: Summary Economic Ratios

Ratio for FY ending June 30, 2005	Stanislaus County	S&P 2005 Ratio Ranges (Counties over 150,000)[1]	S&P 2006 Medians (all A-rated US Counties)[2]	Moody's 2005 Local Government National Medians[3]
AV per Capita, FY 2005	$57,296	moderate	$51,742	$50,107
Top 10 taxpayer conc., FY 2005	4.63%	moderate	8.60%	N.A.
Per Capita EBI as % of State, 2005 CY	76.75%	N.A.	N.A.	N.A.
Per Capita EBI as % of US, 2005 CY	76.55%	low	92.00%	N.A.
Median Family EBI as % of State, 2005 CY	86.11%	N.A.	N.A.	N.A.
Median Family EBI as % of US, 2005 CY	91.16%	moderate	93.0%	N.A.

[1] State and Local Government Credit Analysis By the Numbers, March 2005.

[2] Counties with population over 150,000.

[3] Counties with population greater than 250,000, but under 1 million.

Figure 15: Summary Table of Economic Indicators

ECONOMIC INDICATORS FOR STANISLAUS COUNTY

Major Category	Subcategory
Population	Population growth rate is strong
Personal Wealth	Personal wealth is growing strong
	Per Capita EBI as % of State is below 100%
	Per Capita EBI as % of National Median is below 100%
Employment Base	Job base diversity is improving, but still somewhat limited
	Unemployment rate is higher relative to State
	Unemployment rate is decreasing
Tax Base	Growth in AV has been exponential
	Rate of AV growth in AV is accelerating
	AV per Capita is growing strong
	Top 10 taxpayer concentration is low
Taxable & Retail Sales	Growth trend in sales is strong

KEY

	Green indicates that we view our findings as positive with regards to the County maintaining its current credit-worthiness, even with additonal debt
	Yellow indicates that we view our findings as cautionary with regards to taking on additional debt. To maintain or receive an investment-grade rating, additional information or mitigating factors might be required

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Section III

FINANCIAL CONDITION

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FINANCIAL CONDITION

We have just completed an analysis of the economic base of Stanislaus County. The current section will look at the County's financial performance with regards to solvency and ability to weather financial difficulties.

Our approach will be to briefly report on the County's historical Accounting and Reporting procedures and concentrate our attention on the revenue and expenditure patterns as they apply primarily to the County's General Fund (GF). We will also analyze the diversity and stability of the County's GF revenue sources and calculate historical fund balance values. Bond market participants and credit analysts scrutinize such information to determine the availability and liquidity of funds to service debt obligations. Our focus on the GF reflects its status as the ultimate source of debt service for most county obligations. Although credit analysts may consider other designated sources of debt service for a particular financing, the health of the GF will always play a key role in credit evaluation, except in those circumstances when enterprise revenues or other specialized revenue sources constitute the primary or sole security for a financing.

Accounting and Reporting

For several years running, the financial statements of Stanislaus County have won the approval of independent Certified Public Accountants (CPAs). The reports are carefully prepared to conform to Generally Accepted Accounting Principles (GAAP).[45] It is therefore no surprise to state that the County has won numerous awards and recognitions for exemplary financial statements. For instance, for FY 2004-2005, the County was presented with the "Distinguished Budget Presentation Award" by the Government Finance Officers Association (GFOA) of the United States and Canada: "In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device."[46] The consistent and timely issue of GAAP-reported financial statements that are independently audited and meet the requirements of the GFOA is viewed very favorably by credit analysts and bond market participants.

An area of Accounting and Reporting that has recently come under the careful scrutiny of the bond market is the requirement for continuing disclosure. The related requirements are enshrined in the Securities and Exchange Commission (SEC) Rule 15c2-12. We have provided more information about disclosure issues in Section VI of this report.

[45] Please see Glossary in Appendix I for a definition of GAAP.

[46] Stanislaus County Proposed Budget, FY 2005-2006.

Recent Legislation

The shifting and often contentious State-local funding relationship in California has been a constant source of concern for all counties in California as the State has often reduced local agency funding during times of State budget crisis. At a minimum, this has undermined the stability and predictability of county revenue sources and at worst the State has redirected or "borrowed" local agency funds on numerous occasions as was the case with the ERAF property tax shift during the early 1990's and was the case with the two year ERAF shift in 2004-05 and 2005-6 as well as the VLF Gap Loan in 2003-4 and the delay in funding Proposition 42.

Below we briefly discuss some specific recent legislation that have significantly impacted the sources and predictability of GF revenues of all California counties.

Proposition 1A (Prop 1A). On several occasions in the past, the State of California has withheld property taxes, sales taxes and Vehicle License Fees (VLF) from local governments in order to balance its own budget. The result has often been inadequate, delayed and/or insufficient money to local governmental entities. Prop 1A, which was approved overwhelmingly by voters in November 2004, and generally becomes effective in FY 2006-2007, specifically reduces the Legislature's authority over local government revenue sources. Prop 1A restricts the State from lowering the local sales tax rate or changing the allocation of local sales tax revenues without meeting certain conditions. The implication for California counties is that local government funding is likely to be slightly more stable in the future since the State can no longer dip into county funds at whim in order to meet its own budgetary shortfalls.

"Triple Flip": Sales and Property Tax Swap. Simply put, the triple flip, which came into effect in FY 2004-2005, shifts a quarter percent (0.25%) of local governments sales tax to the State in exchange for property tax from the State on a dollar for dollar basis. While in the end the Triple Flip does not reduce overall County revenues, it has an impact on cash deficits: sales taxes are received by the County all year round whereas property taxes are assessed only twice a year. California counties, including Stanislaus, will need to remain vigilant and prepare for potential cash flow deficits during the FY as a result of this sales and property tax swap.

VLF Gap Loan. When the State reneged on three months of VLF backfill payments (total of $1.3 billion), the result was a VLF funding gap, popularly called the VLF Gap Loan. Stanislaus County's portion of this VLF Gap loan was in excess of $9 million[47] and was repaid by the State's 2005-06 budget.[48]

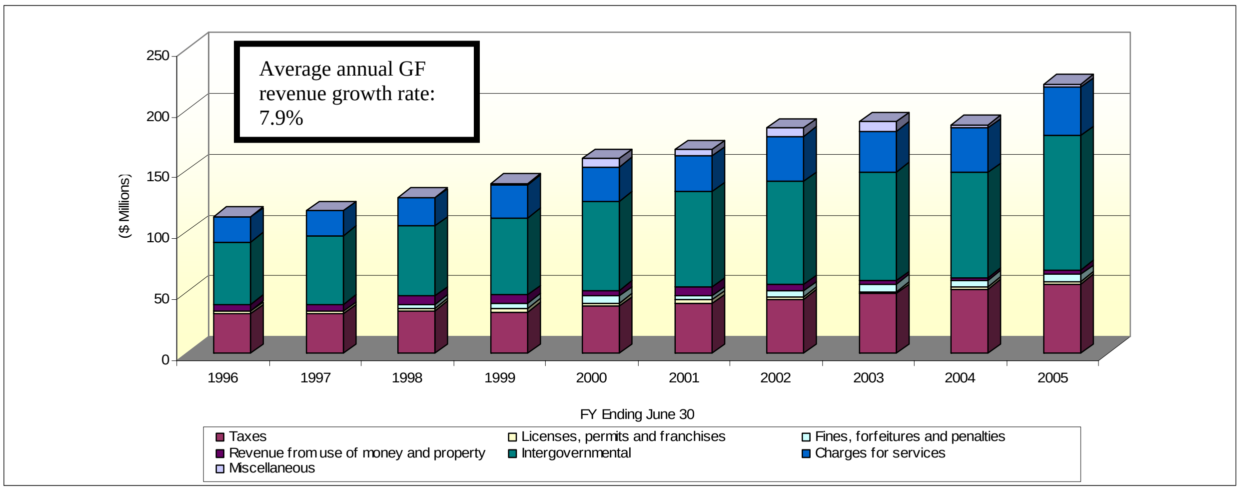
[47] California Statewide Communities Development Authority, https://cscda.cacommunities.org, August 16, 2005.

[48] The County has already received a repayment of the VLF gap loan.

General Fund Revenues

Against the background of the relevant events just discussed, it is anticipated that Stanislaus County's revenues are likely to grow and become more stable in future years. Over the last decade, Stanislaus County's GF revenues have actually increased very consistently. The average annual GF growth rate for the period between FY 1996 and FY 2005 was 7.9% with total GF revenues increasing by a substantial amount of 96.4% over the period (see Figure 16). The slight decline in GF revenues from FY 2003 to 2004 is attributable mainly to a 65% dip in miscellaneous revenue sources. Revenues from fines, forfeitures and penalties, use of money and property, and intergovernmental revenues declined as well although by much smaller margins. The strong growth between FY 2004 and FY 2005 can be attributable mainly to large increases in both taxes (7.6%) and intergovernmental revenues (28.1%).

Figure 16: The General Fund Revenues for Stanislaus County has been growing steadily

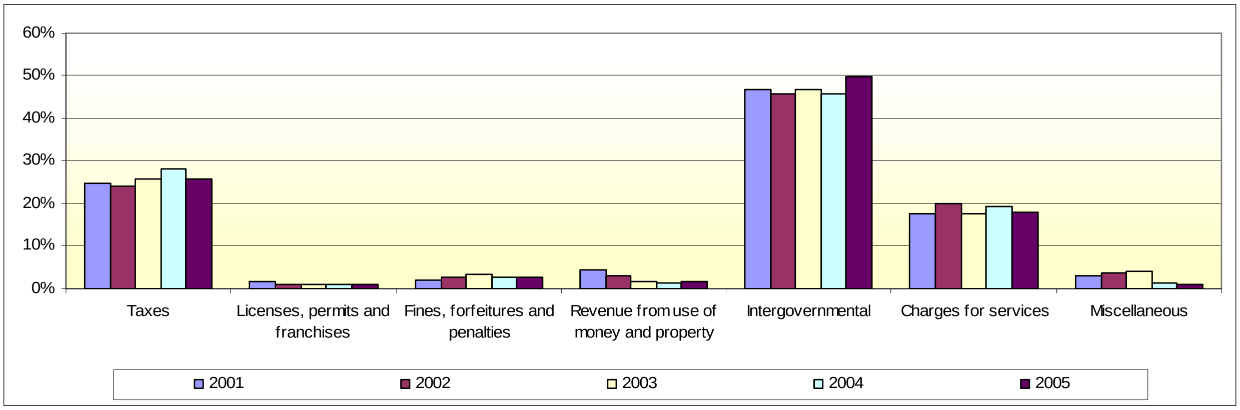


Source: Stanislaus County CAFR FY 2000 – FY 2005.

Intergovernmental Revenues. From Figures 16 and 17, we observe that revenues from Intergovernmental sources[49] continue to dominate other revenue sources, and form the lion's share of Stanislaus County's GF revenues. Over the last decade, Intergovernmental revenues ranged from 44.8% to 49.9% of GF revenues, the average proportion for the period being 46.5%. Intergovernmental revenues come to the County mostly in the form of State and federal grants and subventions, and payments for services that the County provides for the State. Since the sources of this revenue are variable and depend to a considerable extent on the State's budgetary condition, it is hard to predict how much the County can reasonably expect to receive in future years. However, Proposition 1A adds some predictability and we have no evidence to suggest that the historical proportion of Intergovernmental revenues in the County's GF will decline on a sustained basis.

[49] Intergovernmental Revenues include Prop 172 revenues and Vehicle License Fees (VLF), among others.

Figure 17: Intergovernmental Revenues continue to dominate other revenue sources for Stanislaus County



Source: Stanislaus County CAFR FY 2000 – FY 2005

Tax Revenues. Next, the revenues that the County derives from taxes have also performed quite well recently (see Figures 16 and 17). This portion of the County's GF revenues, composed mainly of property and sales tax revenues, has seen an annual average increase of 6.5%. Stanislaus County collected over $57 million in taxes for FY 2005, which represents 25.8% of the total revenues collected for the year. The two major components of the County's tax revenues are discussed below.

Property Tax Revenues. As was mentioned in Section II of this report, credit analysts have long considered property taxes as one of the most important revenue sources available to counties to pay for long-term, GF debt. Of all the major taxes the County can levy, increased property taxes are the least likely to induce shrinkage in the tax base. If one jurisdiction introduces or increases income, sales, transient occupancy, or business taxes, individuals and business may seek to avoid the taxes by moving beyond the jurisdiction's boundaries. In contrast, because real property is quite immovable, it is less likely that an increase in property tax rates would cause significant changes in the use or value of property in the County.

In interpreting the implications of property tax revenue levels, credit analysts focus on three key factors which influence property tax revenues. These three key factors are the principal taxpayers, the tax collection delinquency rate and the County share of property tax collections. We shall presently discuss the third factor; the first two were discussed in Section II (see Tables 7 & 8, and Figure 9).

The County's share of General Levy Property Taxes which excludes general obligation bond rates and special assessments, has recently hovered between 11% and 12%, net of additional property tax paid to the County in lieu of sales taxes pursuant to the "Triple Flip" which went into effect in FY 2004-05. This allocation unfortunately is relatively low and was established by State law enacted in 1979.[50]

[50] See Stanislaus County Series 2004A Official Statement, p.28 for a detailed discussion.

With the consistent appreciation in taxable property values, however, it can be reasonably expected that the dollar amount of the County's share will appreciate even if the percentage allocation does not change significantly. As mentioned previously, assessed valuation within the County of Stanislaus has been growing at an annual average rate of 6.7%, and the growth trend is expected to continue even if the recent high growth rates slow down.

Sales Tax. From Figures 11 & 12, we demonstrated that taxable and retail sales in Stanislaus County have been mounting steadily over the years. Credit analysts consider these figures and their trends in assessing the financial health of a County. Sales tax revenues are the second largest component of County tax revenues, after property taxes. Prop 1A which we discussed earlier restricts the State from reducing any local sales tax rates, limiting existing local government authority to levy a sales tax or changing the allocation of local sales tax revenues, subject to certain exceptions. Hence this ruling could effectively ensure increased and stable sales tax revenues for the County in future years.

Inferring from data provided by the State Board of Equalization, between 1997 and 2001, taxable sales within Stanislaus County rose 46.7% ($2.7 to $3.9 billion) while total taxable sales rose 40.4% ($4.0 to $5.6 billion).[51] This represents a healthy growth trend which, coupled with the added stability of Prop 1A, is very likely to continue to boost the County's revenues in upcoming years.

Charges for Services. Charges for current services have consistently been the third largest source of revenue for Stanislaus County. From FY 1995 to FY 2005, they represented between 17.2% and 19.8% of GF revenues, averaging 18.3% per year. For the entire period under consideration, charges for current services increased by 104% ($19.6 to $39.9 million). This revenue source, representing a recoupment of costs for services such as recording fees, legal fees, health services fees, court and law enforcement fees, and planning and building fees[52], appear to be fairly sustainable for the County going forward.

In all, Intergovernmental revenues, Taxes and Charges for Services accounted for about 94% of Stanislaus County's GF revenues in FY 2005 (see Figure 17 above). Due to this huge proportion, credit analysts and market participants will be pleased to learn that for the most part these revenue sources are sustainable and protected, and expected to continue to grow into the future.

To the extent that there are cuts in State funding for State programs administered by the County, such as job placement, mental health and other social service programs, the County has made it a practice not to backfill such cuts with other County revenues. By

[51]Stanislaus County FY 2004 TRAN Official Statement, p. A-8.

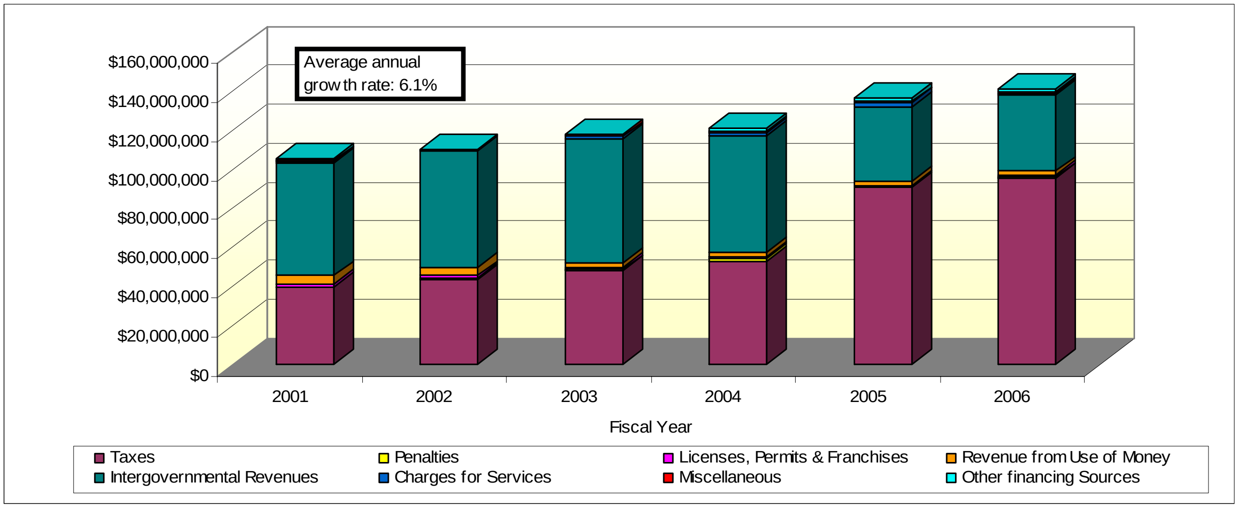
[52] Stanislaus County FY 2004 TRAN Official Statement, p. 10.

making simultaneous cuts in program expenses, the County has to a large extent been able to insulate County discretionary revenues from cuts in State revenues.

County Discretionary Revenues

We identified, in Figure 18 below, the total Discretionary Revenue sources for Stanislaus County starting FY 2001 and ending FY 2005, with budgeted figures for FY 2006.

Figure 18: The Discretionary Revenues of Stanislaus County are growing steadily

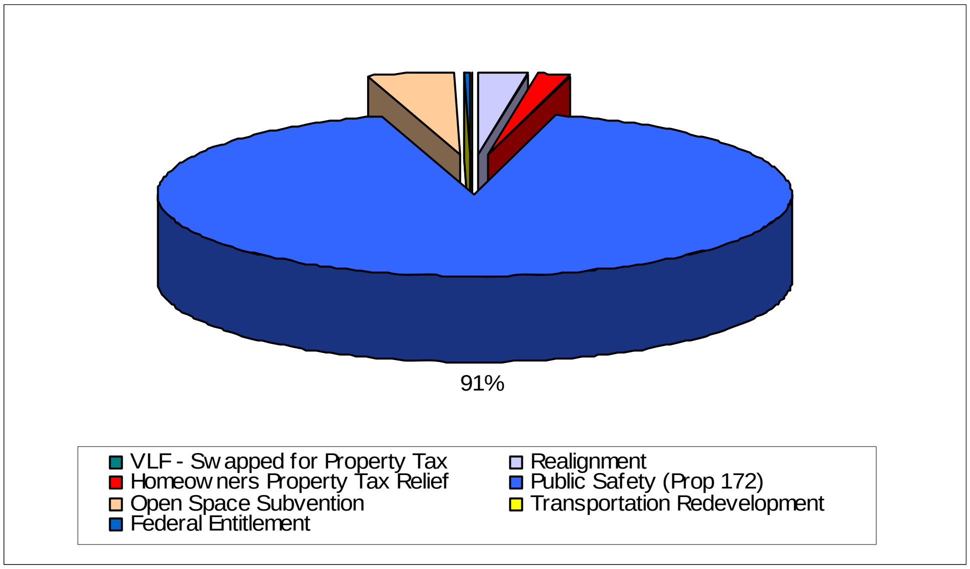


Source: Stanislaus County Annual Budget FY 2001 – FY 2006.

Discretionary revenues serve as a cushion to help the County deal with emergencies. The sources of this revenue are quite varied. However, the majority of it comes from intergovernmental revenues and property taxes. For FY 2005, 27.7% of discretionary revenues came from Intergovernmental revenues whereas 66.5% came from taxes (see Figure 19). The major component of intergovernmental revenues in FY 2005 was public safety revenues (Prop 172). Normally, VLF revenues mark a significant portion of intergovernmental revenues, but with the VLF swap, FY 2005 Property Tax in-lieu of VLF funds made up the difference in the taxes category. The Taxes category increased by about 49% from FY 2004, from $52.5 million to $90.7 million. On a whole, discretionary revenues increased from $120.9 million to $136.2 million.

When subtracting out the Property Tax in-lieu of VLF for the FY 2005 and FY 2006 figures, taxes have shown to be a steady and increasing revenue source. Taxes have increased from $40.0 million in FY 2001 to a budgeted $58.3 million in FY 2006, an average growth rate of 7.9%.

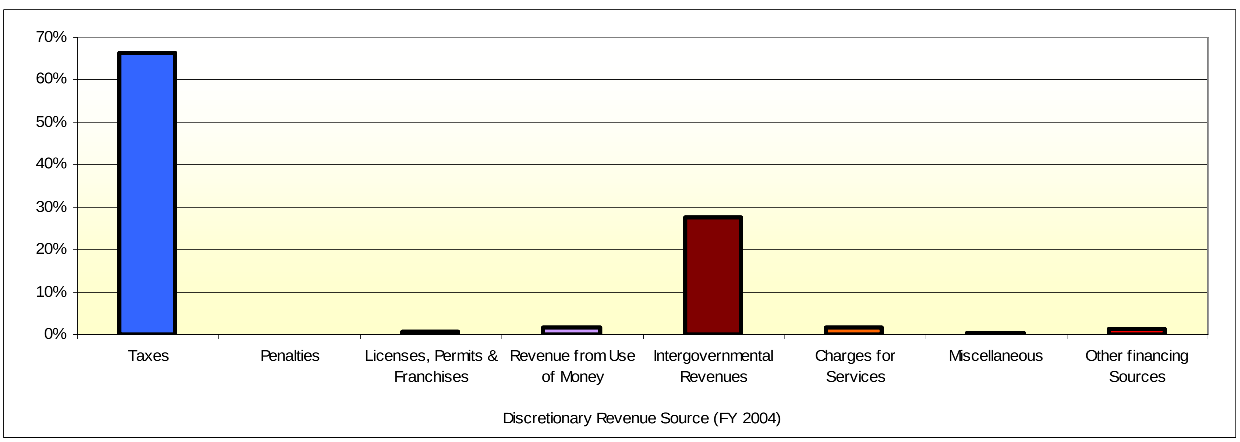
Figure 19: Revenues from Public Safety form the lion's share of Intergovernmental Discretionary Revenues (FY 2005) with the elimination of the VLF funds.



Source: Stanislaus County Annual Budget FY 2005-2006.

Rating analysts and market participants will view the increasing trend of discretionary revenues and the quality of its composition very favorably. Although an analysis of the adequacy of Stanislaus County's discretionary revenues is not considered in this report, our opinion is that the County is moving in the right direction to the extent that the amount and diversity of discretionary revenue sources is increasing.

Figure 20: Components of Stanislaus County's Discretionary Revenues for FY 2005.



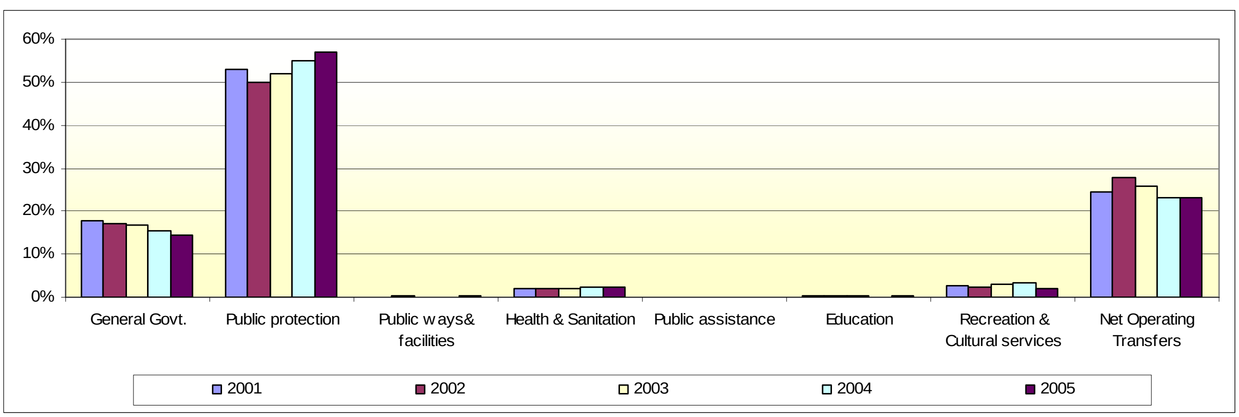
Source: Stanislaus County Annual Budget FY 2005-2006.

General Fund Expenditure

Another aspect of a county's finances that is critically considered in evaluating its financial condition is the GF Expenditure. Patterns of GF Expenditure that match GF Revenues reflect prudent financial management. However, if a county's expenditures are consistently outstripping revenues resulting in budget deficits and escalating fiscal pressures, then that county is likely to be viewed unfavorably by rating analysts and market participants.

Figures 21 and 22 depict the individual components of Stanislaus County's major expenditure groups out of the GF. Principal and interest debt service expenditures have been purposefully eliminated from Figure 21 since they are very minimal compared to the other expenditure groups. Further, since interest expenses vary between relatively small positive and negative values, we have set the annual interest expenses to zero as well.[53] Net operating transfers in and out of the GF account have been added to the GF expenditures as well since this is the standard practice used by rating analysts—the argument being that it provides a better picture of the County's overall expenditures. [54] Rating analysts we spoke with in the preparation of this DCR mentioned that they typically include all recurring costs into GF expenditures. For the purposes of proper comparison and consistency, we added net operating transfers to total GF expenditure as reported in the County's CAFR for each fiscal year and used the resulting number in our computations.

Figure 21: Public Protection, Net Operating Transfers, and General Government Spending constitute the major expenditure areas for Stanislaus County



Source: Stanislaus County CAFR FY 2000 – FY 2005.

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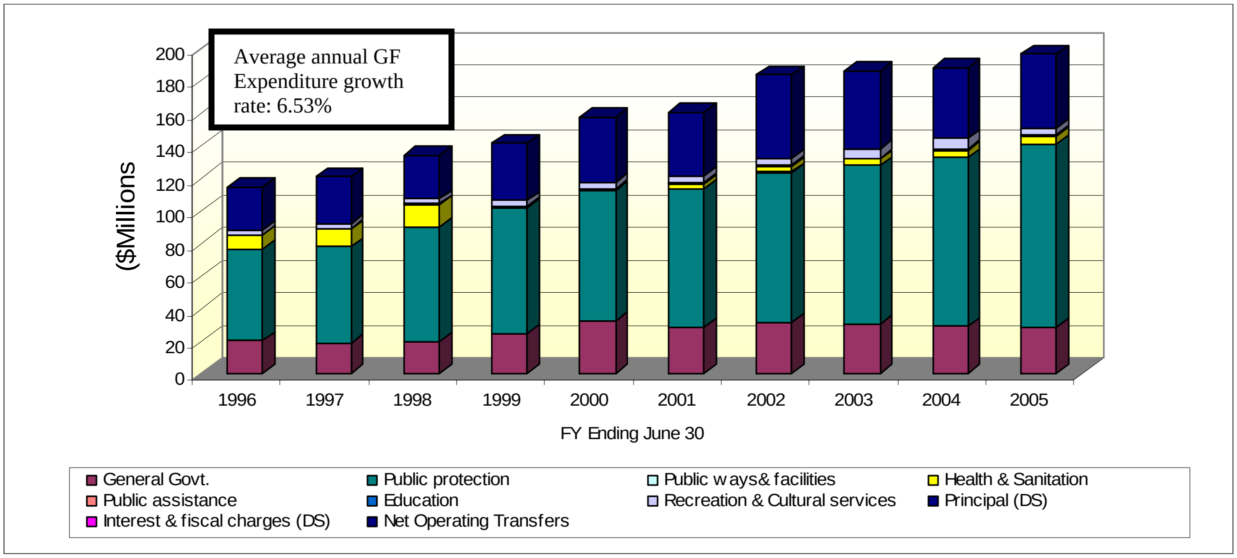
[53] We did not make these assumptions in computing the total GF expenditure for the County used in calculating the County's debt ratio.

[54] In recent years, Stanislaus County has transferred money into the GF from sources such as Governmental Funds, Enterprise Funds, and Internal Service Funds; such "transfers in" mainly serve the purpose of covering a temporary deficit cash balance. The County has also transferred money out of the GF as contributions to the Community Services Agency, Health Clinics and Ancillary Services, Capital Projects etc. (see Stanislaus County CAFR).

It should be noted that fund transfers may be viewed by rating analysts as a credit negative, particularly when such transfers represent a deviation from the County's standard practice. S&P reports that such volatility "could be viewed as a sign of fiscal stress in both the transferring and receiving funds."[55]

Figure 22: Total General Fund Expenditure for Stanislaus County has held quite steady since FY 2002



Source: Stanislaus County CAFR FY 2000 – FY 2005.

There are several distinct areas of Stanislaus County's GF expenditure: public protection expenses represent by far the largest expense group for the County, followed by net operating transfers, and general government expenses (Figure 22). With the enactment of Proposition 172 on November 2, 1993, Californians established a permanent statewide half-cent sales tax for support of local public safety functions in cities and counties. Given this additional revenue source and soaring taxable sales, Counties have been able to spend significant amounts of money on public safety. It is estimated that "Proposition 172 enabled counties to spend about $700 million more for public safety in 1993-1994 than they would have spent had the measure failed passage."[56] Overall spending on public safety has been growing annually since this date.

For FY 2005, the Stanislaus County spent $112.7 million (57% approx.) on public protection, $45.4 million (23% approx.) on Net Operating Transfers, and $28.5 (14% approx.) on General Government (see Appendix B for GF revenue and expenditure breakdown from 1995 to 2005). Over the period starting FY 1995 and ending FY 2005, the three major categories of GF expenditure, from largest to smallest, increased by 107.3% (public protection), 103.5% (net operating transfers), and 52.4% (general

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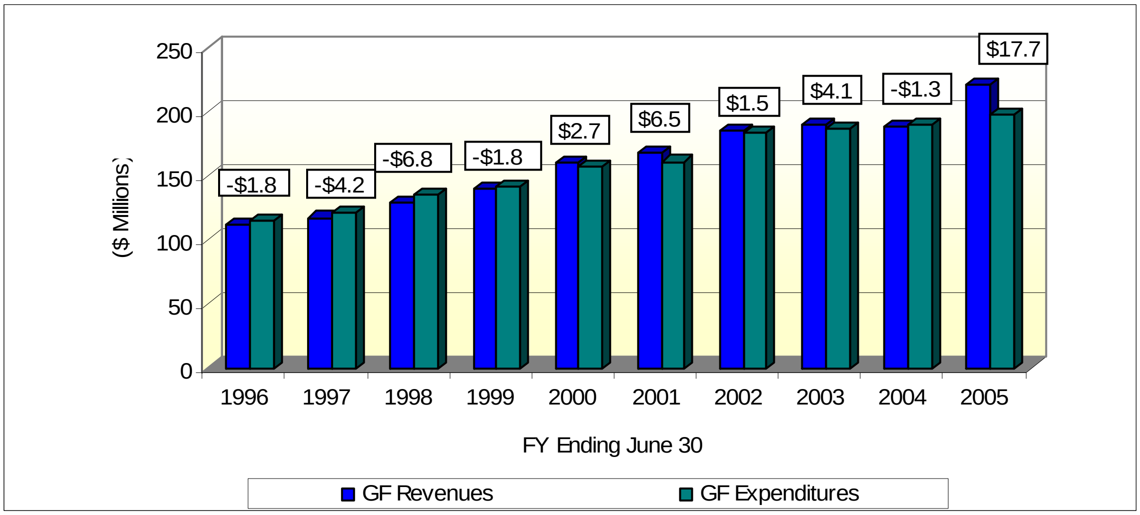
[55] Standard & Poor's Public Finance Rating Criteria 2003, p. 42.

[56] State of California, Legislative Analyst's Office, Proposition 172—How Did it Affect Spending for Public Safety, June 9, 1994.

government) respectively. As can be seen from the figures above, all the other expenses are very minimal and some of them such as healthcare and sanitation[57] seem to be shrinking. For FY 1999, healthcare and sanitation expenses disappeared completely. The total expenses in this area were in excess of $14 million in FY 1998. (We shall later discuss how the dissolution of the Stanislaus County Hospital in FY 1998 contributed to this trend).

Figure 23: GF Revenues and Expenditures for Stanislaus County



Source: Stanislaus County CAFR FY 2000 – FY 2005.

Comparing total GF Revenues and GF Expenditures side by side (see Figure 23), the largest deficit that the County ran in 10 years was in the amount of $6.75 million recorded for FY ending June 30, 1998. It appears that there were unusually large jumps in public protection, healthcare and sanitation expenses as well net operating transfers for that year. The largest surplus of $17.7 million was recorded in FY 2004-05. Since FY 2000, GF revenues and expenditures have stayed within a range of -$1.3 million to $17.7 million. To be deemed satisfactory on a long-term basis, annual GF revenues should meet or exceed annual expenditures. Such consistent budgetary control is reflective of sound management and should not be at the whim of economic downturns or changes in revenue and expenditure streams.

With the exception of the sequential deficits that the County ran in the late 1990s, nothing in the revenue/expenditure pattern is particularly alarming. For the entire period considered in Figure 23, while GF Revenues have grown at an annual average rate of 7.67%, GF Expenditures have grown at a lower rate of 6.53%. Over the most recent three-year period reported in Figure 23 GF revenues and expenditures have matched each other quite closely and will be viewed favorably by rating analysts, with

[57] Stanislaus County's control over healthcare and sanitation costs is very commendable. According to the 2003 Moody's Median Report of California Counties, several counties experienced escalating health and sanitation costs which hurt their fund balances for FY 2002-2003. For this same period, Stanislaus' total GF balance increased from 30.2% to 31.5 % (see Table J).

a large increase in the most recent fiscal year. That said, the County should make it a top priority to keep expenses at bay so they do not escalate and create troubling deficits in future years.

General Fund Balances

More important than GF revenues and expenditures are GF balances. Their relevance is seen in light of the fact that the County's finances are not static: they vary from year to year depending on whether the State was able to balance its budget or not, whether the County was in an economic recession or boom, whether the County's unemployment rates rose or fell and so forth. Because of these uncertainties, a county with a healthy GF balance is able to better absorb shocks from unforeseen contingencies and thus adequately meet all its liquidity requirements. A low balance indicates a lack of flexibility, such that during a fiscal emergency the County might be forced to choose between spending available funds on debt service or on other services which may be deemed more "essential." An eroding fund balance over time due to a pattern of deficit spending could be viewed as a lack of political willingness to control expenditures and reflect badly on a county's credit rating.

Table 11: General Fund Balance for Stanislaus County is growing from year to year

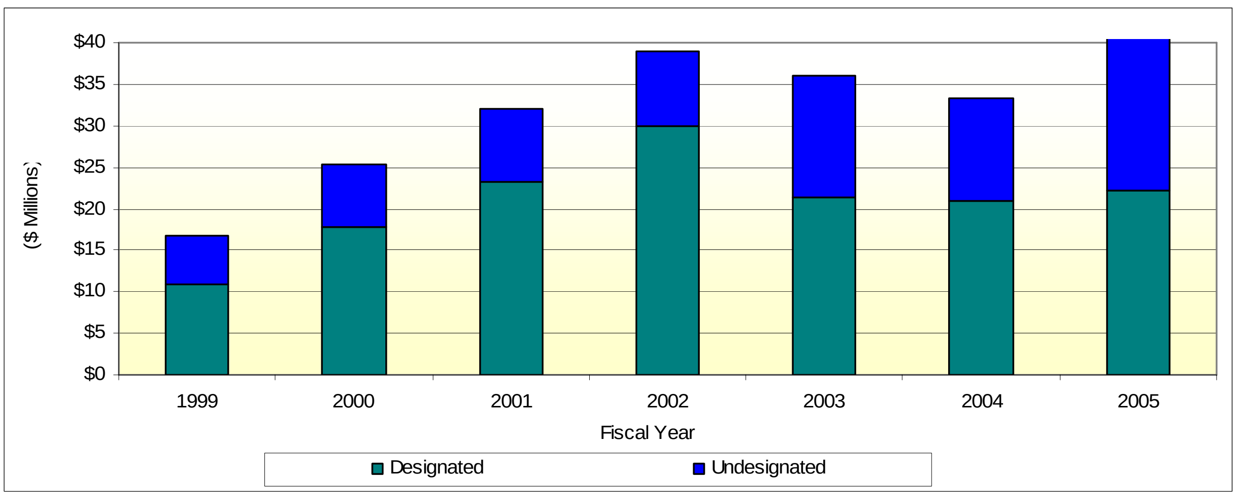
FY	Reserved GF Balance	Unreserved GF Balance		Total Unreserved GF Balance	Total GF Balance
		Designated	Undesignated		
1999	$6,181,423	$10,800,802	$5,932,654	$16,733,456	$22,914,879
2000	$7,246,056	$17,836,093	$7,425,113	$25,261,206	$32,507,262
2001	$10,722,091	$23,148,250	$8,961,412	$32,109,662	$42,831,753
2002	$16,910,835	$30,050,363	$8,874,048	$38,924,411	$55,835,246
2003	$23,941,306	$21,402,056	$14,597,408	$35,999,464	$59,940,770
2004	$25,354,279	$20,880,621	$12,412,078	$33,292,699	$58,646,978
2005	$25,924,335	$22,150,621	$33,872,407	$56,023,028	$81,947,363

Source: Stanislaus County CAFR FY 1999 – FY 2005.

Since the County's GF represents the chief operating fund, it is these balances that are closely scrutinized by rating analysts. As can be seen from Table 11, Stanislaus County has maintained several million dollars in total GF balance since 1999 at least. The reserved GF balance represents the portion of balances over which the County has no (or very restricted) discretion during the fiscal year. They are reserved for events such as encumbrances, advances to other funds, long term receivables and loans to other governments. Between FY 1999 and FY 2005, the reserved GF balance for the County increased dramatically (319%). For this same period, unreserved GF balance (over which the County has discretion) increased by 234% and the total (aggregate) balance increased 258%. The unreserved GF balance is a good indicator of the County's net resources available for spending at the end of the fiscal year. Note that although reserved GF Balance increased from FY 2003 to FY 2004, total GF balance still dropped due to a 7.5% decrease in unreserved GF balance. This drop can be explained mainly by decreased revenues from the State coupled with an increase in public protection spending. The dramatic rise in total general fund balance between the 2003-04 FY and the 2004-05 FY of 39.7% can be explained by dramatic increases in taxes resulting from AV growth as well as the increase in intergovernmental revenues due in large part to the repayment by the State of the VLF Gap Loan.

Figure 24 shows very clearly that a larger proportion of the County's unreserved GF balance is designated (earmarked) to a specific use such as debt service or contingencies. The designated proportions vary from a minimum of 39.5% in FY 2005 to a maximum of 77% in FY 2002. The drop in designated unreserved fund balance between FY 2002 and FY 2003 was due to fiscal stress arising from the need for the County to balance its budget. Also, total unreserved GF balance peaked at $38.9 million in FY 2002. Whether these fund balances are adequate for contingencies will be discussed under financial ratios where we list the fund balances expressed as a percentage of GF revenues for the County.

Figure 24: A larger portion of the County's Unreserved GF Balance is "earmarked" for specific purposes



Source: Stanislaus County CAFR FY 2000 – FY 2005.

Stanislaus County's designations for debt service equivalent to one year of outstanding COP debt service or approximately $10 million[58] for FY ended June 30, 2005, is viewed very positively by rating analysts. When Moody's rated the County's 1998 Series A COP for the Downtown Center projects, they indicated that the County's designation of funds "roughly equal to annual payments on its lease obligations" provide further security for debt repayment and they view that as prudent debt management practice.[59] For FY ending June 30, 2005, $9.8 million of Stanislaus County's funds were reserved specifically for debt service and $12.4 million for contingencies. Such consistent County practices are very commendable.

[58] Stanislaus County CAFR, FY Ended June 30, 2005, p. 18. The exact figure is $9,757,589

[59] Moody's rating report. Stanislaus County Certificates of Participation Series A of 1998 (Downtown Center).

Other Credit Considerations

In recent years the County has made several major strategic moves that have resulted in significant monetary savings. Three examples we would like to address include:

- The November 1997 closure of the County Medical Center
- The September 1995 issuance of pension obligation bonds
- The County's investment strategy

County Medical Center. Medical costs for indigent and inmate populations have skyrocketed in recent years for all government entities whereas and county hospitals have often operated at a loss requiring substantial contributions out of the General Fund. Such costs, if left unchecked, impose heavy strains on budgets and unduly limit expenditure in other critical areas. When Stanislaus County closed its medical center in November 30, 1997, it effectively shifted responsibility and management to the Doctors Medical Center to "provide in-patient care and emergency services to the County's indigent population, thereby preventing the County from incurring future operating losses due to operation of the Medical Center."[60] This timely move has resulted in annual savings of approximately $1.7 million to the County. Thus, at least for the 20 years that the agreement is in force, the County will save over $34 million. This money saved in healthcare costs could be deployed in other expenditure areas that need attention.

Pension Obligation. The funding status of the County's pension system is another aspect of County finances often reviewed by credit analysts. A pension system which is significantly under-funded, or for which the amortization of an unfunded liability is being deferred, can potentially have negative rating implications since it would indicate a failure to provide for current and future obligations. Actions to fully fund a retirement system on a timely basis may improve an agency's credit-worthiness, especially if significant savings result.

Stanislaus County's timely and strategic issue of its 1995 pension obligation bonds resulted in a gross savings of $100 million, or net present value savings of $7.6 million, as compared to the County's prior UAAL amortization. The occasion provided an opportune time as well to renegotiate key terms with the employees' retirement association and secure more favorable pension liabilities for the future. The aggregate savings that accrued to the County as a result of this POB issue are very substantial. More information on Stanislaus County's POB issue is provided in Section IV of this report. The 1995 POBs will mature in the 2013-2014 fiscal year.

Table 12 below shows the recent and current funding status of the County's retirement fund. Such high levels of funding are viewed very favorably by rating analysts and market participants. Since pension liabilities are important obligations that local

[60] Stanislaus County 1998 Series A Official Statement, p. 35.

governments need to meet, we anticipate that the funding level of pension systems will play an increasingly relevant role in credit ratings.

Table 12: Since July 2000, the County's Funded Ratio for its retirement plan has exceeded 94%

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
7/1/2000	$784,114	$781,495	($2,619)	100.3%
7/1/2001	$878,821	$870,768	($8,053)	100.9%
7/1/2002	$878,821	$870,768	($8,053)	100.9%
7/1/2003	$937,797	$958,095	$20,298	97.9%
7/1/2004	$993,180	$1,035,345	$42,165	95.9%
7/1/2005	$1,049,691	$1,116,310	$66,619	94.0%

Post Employment Healthcare Benefits. In addition to providing pension benefits, StanCERA sponsors health insurance for certain retirees and their dependents. StanCERA sponsored health insurance benefits are not vested and may be discontinued with 90 days notice; moreover, they are funded from excess earnings of StanCERA, not the County's General Fund.

Governmental Accounting Standards Board (GASB) No. 45[61] is a recent accounting standard that requires State and local government agencies to calculate and report on their financial statements the actuarial funding status of their post-employment benefits other than pension (OPEB) such as retiree health care. Because the County itself does not fund any portion of retiree health benefits, we are told that the County's only OPEB liability exposure is limited to the "implicit rate subsidy," which results from the pooling of retiree health plan premiums with those of active employees. The County is in the process of retaining an actuary to calculate the County's unfunded OPEB liability based on the implicit rate subsidy.

It should be noted that GASB 45 does not mandate funding of a County's OPEB UAAL on an accrual basis. However, it "does establish a framework for prefunding of future costs."[62] Rating analysts recognize that a failure to manage post employment benefits issues might adversely impact long-term debt repayment. As an example, "Standard & Poor's will analyze any OPEB obligation in the same way it currently evaluates pension obligations. As unfunded actuarial assumed liabilities of public pension funds are considered in the rating process as tantamount to bonded debt of the fund's sponsor, the unfunded OPEB liabilities will be viewed in a similar way… an increasing net OPEB obligation would be a negative rating factor…"[63] From this statement, we can clearly infer that those local agencies that can demonstrate control over OPEB liabilities are more likely to obtain better ratings.

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[61] Governmental Accounting Standards Series No. 231-D, June 2004.

[62] Fitch Ratings, The Not So Golden Years: Credit Implications of GASB 45, June 2005.

[63] Standard & Poor's, Reporting and Credit Implications of GASB 45 Statement on Other Post Employment Benefits, December 2004.

Investment Strategy

In the wake of Orange County's filing for Chapter 9 bankruptcy in December 1994 due to complications associated with a highly leveraged investment portfolio, the investment strategy of government agencies is now on the radar of rating analysts. Among other things, it is imperative that counties maintain portfolios with high quality assets that guarantee a reasonable return on investment. Low levels of voluntary pool participation and conservative investment strategies are preferred as well. The investment approach should also be consistent with established State laws that were enacted to guide public agencies in designing their fund investments.

A look at Stanislaus County's investment strategy reveals that the County maintains a portfolio that is not overly risky and is frequently audited and monitored as required by State law. As of the end of FY 2005, the market value of the total cash and investments equaled $842.9 million. The average days to maturity for the entire portfolio was 197 days, and the 360 day yield-to-maturity stood at 2.89%. The entire pool earned approximately $14.8 million in interest throughout the fiscal year. Table 13 provides a summary of the pool investments.

Table 13 Summary of Pool Investments

Type of Investment (FY 2005)	Percent
Commercial Paper	29.44%
Agencies	26.27%
Treasuries	22.67%
Medium Term Notes	12.26%
Managed Funds	3.61%
Bankers Acceptances	3.60%
Certificates of Deposit	1.84%
Other	0.31%
Total	100.00%

Source: Stanislaus County web site.

Health Services Agency (HSA) Deficit

Though the County hospital was sold in 1997, the County continues to operate health clinics to provide other health services to its customers, including privately insured, uninsured, and indigent populations. These services are accounted for in the Health Services Agency Enterprise Fund. As of FY ending June 30, 2003, this fund had run a substantial cash deficit for which the County issued a $20.5 million note with a 14-year maturity in order to bring the balance to zero by July of 2017. With the approval of the agency's strategic plan, the agency's 2003-04 cash deficit of $3.2 million was added to the total deficit, and the repayment plan was extended to the year 2020.

The County Board has recently approved a 17-year plan to utilize 80% of interest proceeds from the Tobacco Securitization Fund to help cover the accumulated deficit.

For the last 2 fiscal years, contributed interest proceeds have amounted to $1.6M and $1.9M. Further, recent improvements in HSA financial management, the consolidation of clinics and a specific 3-year funding plan[64] to eliminate the annual deficit and to pay off the accumulated deficit completely by 2020 are steps in the right direction. The agency's strategic plan included an ongoing General Fund contribution of $3.75 million to fund its ongoing operations beginning in Fiscal Year 2007-2008, with any future unplanned deficits being the responsibility of the agency to resolve.

Financial Management

The strength of a county's financial management practices is becoming an ever increasing factor in each rating agency's evaluation of creditworthiness. A county's managerial decisions, policies and practices directly impact many key credit factors including financial strength, debt burden, etc. The county's ability to make sound financial and operational decisions in response to economic and fiscal demands is a primary determinant of long term credit quality.[65] In fact, the vast majority of downgrades in recent years can be attributed to financial practices, or lack thereof.[66]

Some of the key elements of governmental financial management include economic analysis, revenue forecasting, risk management, accounting practices, financial strategies, cash and liquidity administration and debt management. Clearly, all of the above have an impact on a county's financial strength, and as a result, its credit quality. In summary, if a county is unable or unwilling to use its authority to address events that impact its financial condition in a timely manner, its credit rating may be adversely affected. In addition to impacting a county's credit, an event poorly handled by a county may result in long term credibility concerns among market participants that last past a rating downgrade that is subsequently reversed.

Two recent rating agency releases illustrate this increased focus on financial management: June 27, 2006 Standard and Poor's report on "Financial Management Assessment (FMA)" and a report on November 21, 2002 by Fitch outlining "12 Habits of Successful Financial Officers". These reports provide the criteria by which the credit analysts will be reviewing financial management. The seven areas which the S&P Report suggests will most likely affect credit quality are as follows:

- Revenue and expenditure assumptions - Are the organization's financial assumptions and projections realistic and well grounded from both long-term and recent trend perspectives?

[64] Our understanding is that this plan stipulates a one-time payment of $7.6M into the HSA fund, followed by a $5.6M payment the next year and a final $3.7M contribution thereafter.
[65] S&P report: "Public Finance Criteria: Financial Management Assessment", June 27, 2006
[66] S&P report: "GO Credit Ratings Are At A Crossroads As Downgrades Increase", June 12, 2006

- Budget amendment and updates - Are there procedures for reviewing and amending the budget based on updated information and actual performance to ensure fiscal targets are met?
- Long-term financial planning - Does management have a long-term financial plan that allows them to identify future revenues and expenditures as well as address upcoming issues that might affect these?
- Long-term capital planning - Has the organization created a long-term capital improvement program?
- Investment management policies - Has the organization established policies pertaining to investments?
- Debt management policies - Has the organization established policies pertaining to the issuance of debt?
- Reserve and liquidity policies - Has the organization established a formalized operating reserve policy, which takes into account the government's cash flow/operating requirements and the historic volatility of revenues and expenditures through economic cycles?

S&P evaluates and assigns each of the seven areas a qualitative ranking as follows:

"Strong"

A Financial Management Assessment of 'strong' indicates that practices are strong, well embedded, and likely sustainable. The government maintains most best practices deemed critical to supporting credit quality and these are well embedded in the government's daily operations and practices. Formal policies support many of these activities, adding to the likelihood that these practices will be continued into the future and transcend changes in the operating environment or personnel.

"Good"

A Financial Management Assessment of 'good' indicates that practices are deemed currently good, but not comprehensive. The government maintains many best practices deemed as critical to supporting credit quality, particularly within the finance department. These practices, however, may not be institutionalized or formalized in policy, may lack detail or long-term elements, or may have little recognition by decision makers outside of the finance department.

"Standard"

A Financial Management Assessment of 'standard' indicates that the finance department maintains adequate policies in most, but not all key areas. These policies often lack formal detail and institutionalization, and may not include best practices.

"Vulnerable"

A Financial Management Assessment of 'vulnerable' indicates that the government lacks policies in many of the areas deemed most critical to supporting credit quality. The 'vulnerable' designation suggests a high degree of uncertainty regarding a government's ability to effectively adapt to changing conditions that could threaten its long-term financial position.

As shown above and similarly in the Fitch report, a county's practices and policies, or lack thereof, are the primary determinants of the rating agencies' assessment of its financial management. Most important is a county's ability to keep to its practices and policies during difficult economic or financial conditions.

Stanislaus County has demonstrated many strong financial management policies and practices. For example:

1. The County appears to have a history of making realistic financial projections and assumptions as evidenced by its track record whereby revenues have exceeded budgetary estimates in the General Fund by $12 million, $12 million and $24 million for FY 2003, FY 2004 and FY 2005 respectively. It is important that the County consider both long-term and recent trends in making its financial projections.

2. Per the County budget, to ensure the long-term economic stability of the organization, the County has developed a series of financial and budgetary policies. Using both operational guidelines and quantitative standards, these polices strive to maintain a stable and positive financial position for the foreseeable future. The policies also provide guidelines in planning and directing the County's day to day financial affairs, and in developing recommendations to the Chief Executive Officer and the Board of Supervisors.

3. The County has procedures for mid-year budget review and amendments based on updated revenue and expenditure information.

4. The County participates in the process of capital improvement planning on a near constant basis. Its FY 2006-07 Preliminary CIP is comprehensive and forward thinking, identifying 287 capital improvement projects over the next 20 years. It identifies and prioritizes capital needs, forecasts cost estimates and identifies available or offsetting revenues, where appropriate. In conjunction with this Debt Capacity Review, which attempts to identify ranges of additional debt capacity for capital improvements, the CIP and DCR are exemplary of sound financial planning and management.

5. The County has adopted investment policies and has Treasury Pool oversight practices and policies in place, consistent with State law.

6. The County does not have formalized debt policies and this is one of the recommendations in this DCR (see Section VII). The County has however adopted several prudent debt management practices including use of a Debt Advisory Committee and regular consideration of its debt capacity.

7. We are not aware if the County has formal liquidity and reserve policies. We note however that the County has had substantial liquidity and reserves in its General Fund for the past several years. Moreover, the County's designations for debt service (amounting to one year of debt service on outstanding COPs) and for emergencies are examples of sound financial reserve practice.

Financial Ratios

Financial ratios provide a quantitative measure by which we can assess the financial strength and credit worthiness of a county. Rating agencies may look at several different ratios and variations of them. We compute the following:

1. Total GF Balance as % of GF Revenues
2. Total GF Balance as % of GF Expenditures
3. Unreserved GF Balance as % of GF Revenues
4. Unreserved GF Balance as % of GF Expenditures
5. Unreserved, Undesignated GF Balance as % of GF Revenues

Most rating analysts calculate fund balances as a percentage of GF revenues. However, in preparing this document, we discovered that Stanislaus County reports some balances relative to GF expenditures. For ease of reference and convenience in making comparisons, we have provided both ratios starting in FY 1999 and ending FY 2005 in Table 14 below. We will briefly describe what the ratios represent and how Stanislaus County's ratios compare to generally recognized benchmark values. The importance of these ratios in the rating process cannot be overstated.

Table 14: Stanislaus County has Maintained a Healthy GF Balance Over the Years

Financial Ratio	1999	2000	2001	2002	2003	2004	2005
Total GF Balance as % of GF Revenues	16.41%	20.28%	25.60%	30.18%	31.51%	31.24%	37.10%
Total GF Balance as % of GF Expenditures[1]	16.20%	20.63%	26.63%	30.43%	32.19%	31.02%	41.47%
Unreserved GF Balance as % of GF Revenues	11.98%	15.76%	19.19%	21.04%	18.92%	17.74%	25.36%
Unreserved GF Balance as % of GF Expenditures[1]	11.83%	16.03%	19.96%	21.21%	19.33%	17.61%	28.35%
Unreserved, Undesignated GF Balance as % of GF Revenues	4.25%	4.63%	5.36%	4.80%	7.67%	6.61%	15.33%

[1] General Fund Expenditures are net of Transfers In and Transfers Out.

Source: Stanislaus County FY 2005 CAFR.

The financial ratios provide insight about the financial health of a local jurisdiction. In general, higher ratios are preferred since they suggest that the government has an adequate cushion to withstand an unforeseen economic downturn. It should be noted that for the period considered in Table 14, values for the same FY with GF revenues or expenditures as denominator are fairly close to each other. The logical inference is that the County's GF revenues and expenditures match quite closely. Please note that GF expenditures are net of operating Transfers In and Transfers Out.

As measures of the GF's liquidity, the FY 2005 total GF balance as a percentage of GF revenues of 37.1% and unreserved GF balance of 25.36% are extremely strong when compared to S&P's guideline values[67] of 15% and 8% respectively, see table below. We do not have reliable benchmarks for the other financial ratios. The decrease in State revenues to the County coupled with increased public protection spending primarily account for the widespread fund balance drop observed from FY 2003 to FY 2004 as explained earlier. At this point, this does not represent an alarming trend. The growth between the FY 2004 and FY 2005 shows a strong recovery.

Summary & Conclusion

We have reviewed the County's financial factors in detail placing special emphasis on GF revenues and expenditures as well as balances. Our conclusion is that Stanislaus County has a strong financial base and healthy fund balances. The table below summarizes the Stanislaus County economic ratios side-by-side with medians from S&P and Moody's.

[67] Standard & Poor's Public Finance Rating Criteria 2000.

Table 15: Stanislaus County Financial Ratios

Ratio for FY ending June 30, 2005	Stanislaus County	S&P 2005 Ratio Ranges (Counties over 150,000)[1]	S&P 2006 Medians (all A-rated US Counties)[2]	Moody's 2005 Local Government National Medians[3]
Tot. GF Bal as % of GF Rev, FY 2005	37.10%	high	24.30%	11.00%
Unreserved GF Bal as % of GF Rev, FY 2005	25.36%	above average	17.90%	N.A.
Unreserved, Undesignated GF Bal as % of GF Rev, FY 2005	15.33%	N.A.	N.A.	6.80%

[1] State and Local Government Credit Analysis By the Numbers, March 2005.

[2] Counties with population over 150,000.

[3] Counties with population greater than 250,000, but under 1 million.

We note however that GF revenue sources, particularly discretionary revenues, are not varied and there is a heavy dependence on intergovernmental revenues, as is the case with all California counties. Further, the historical growth rate in GF expenditures exceeds that of GF revenues and the County has recently run deficits in its HSA account. We have highlighted the major financial indicators in Figure 25 and will recommend that the County pay close attention particularly to those factors that are color-coded in yellow since they are likely to be critically scrutinized by rating agencies.

Figure 25: Summary Table of Financial Indicators

FINANCIAL INDICATORS FOR STANISLAUS COUNTY

Major Category	Subcategory
General Fund Revenues	Sources of GF Revenues are limited
	Property taxes are increasing
	Sales taxes are increasing
	Sources of GF Revenues are sustainable
	Tax Collection & Delinquencies rates are good
	Discretionary revenues are growing
General Fund Expenditures	Growth trend since FY 1995 exceeds that of GF revenues growth
	In recent years, GF revenues and expenses have matched closely
General Fund Balance	Total GF Balance is strong
	Unreserved GF Balance strong
	Unreserved, undesignated GF Balance is strong
	Fund balances are increasing
Others	Elimination of the County Hospital has resulted in significant savings
	County has a sound investment portfolio

KEY

	Green indicates that we view our findings as positive with regards to the County maintaining its current credit-worthiness, even with additonal debt
	Yellow indicates that we view our findings as cautionary with regards to taking on additional debt. To maintain or receive an investment-grade rating, additional information or mitigating factors might be required

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Section IV

DEBT FACTORS

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DEBT FACTORS

This section of the report examines the ability of the County to incur additional debt in light of its current debt service obligations. How much additional debt a county can afford is inextricably linked with how much debt it already has outstanding.

Current Debt Service Obligations

We limit our analysis of the County's debt primarily to direct debt because this is debt over which the County has exclusive control.[68] Direct debt includes only the outstanding principal on long-term debt obligations (over one year) for which the County is solely responsible and which is payable from general revenue sources. For Stanislaus County, these include Certificates of Participation (COP), Pension Obligation Bonds (POB) and Capital Leases.[69] As of June 30, 2005, the County of Stanislaus had total direct debt of $198,413,151 outstanding.[70] Some consideration should also be given to indirect and overlapping (underlying) County debt (ie. debt of all agencies within the County's boundaries including cities, school districts, special districts, and redevelopment agencies) to give a complete picture of the total debt burden on the community's residents and taxpayers. We have provided estimated indirect and overlapping debt data and ratios as of March 1, 2006 in Appendix J.

Certificates of Participation

As of June 30, 2005, Stanislaus County had seven different series of COPs outstanding. Information regarding the purpose for which each COP was issued, the sale date and initial par amount, the outstanding principal as well as the final maturity dates is presented in Table 16 below. The final COP obligations for the County, the 2004 Series A and B COPs, will be extinguished on August 15, 2025.

As of June 30, 2005, total COP direct debt for the County amounted to $122.5 million. A detailed annual debt service schedule, including principal and interest payments, for the County's COPs is displayed in Figure 26. COP debt service payments peak at a value of $13.26 million in 2007 and decline progressively in subsequent years. From 2020 until the last COP debt is paid off in August 2025, the annual COP debt service is quite flat at about $3.0 million.

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[68] Moody's Investors Service provides an elaborate definition of Direct (Net) Debt as follows: "Total amount outstanding of tax-supported general obligation bonds, lease rental bonds, certificates of participation secured by lease payments, capital leases paid from governmental funds and internal service funds, special assessment debt with a contingent county obligation, and other tax-supported bonded obligation, less general obligation bonds and lease obligations which are self-supporting from non-general fund sources such as utility revenues or tax increment revenues" (Moody's Median Report, 2003).

[69] GFOA Recommended Practice, Debt Management Policy (1995 and 2003), June 30, 2005.

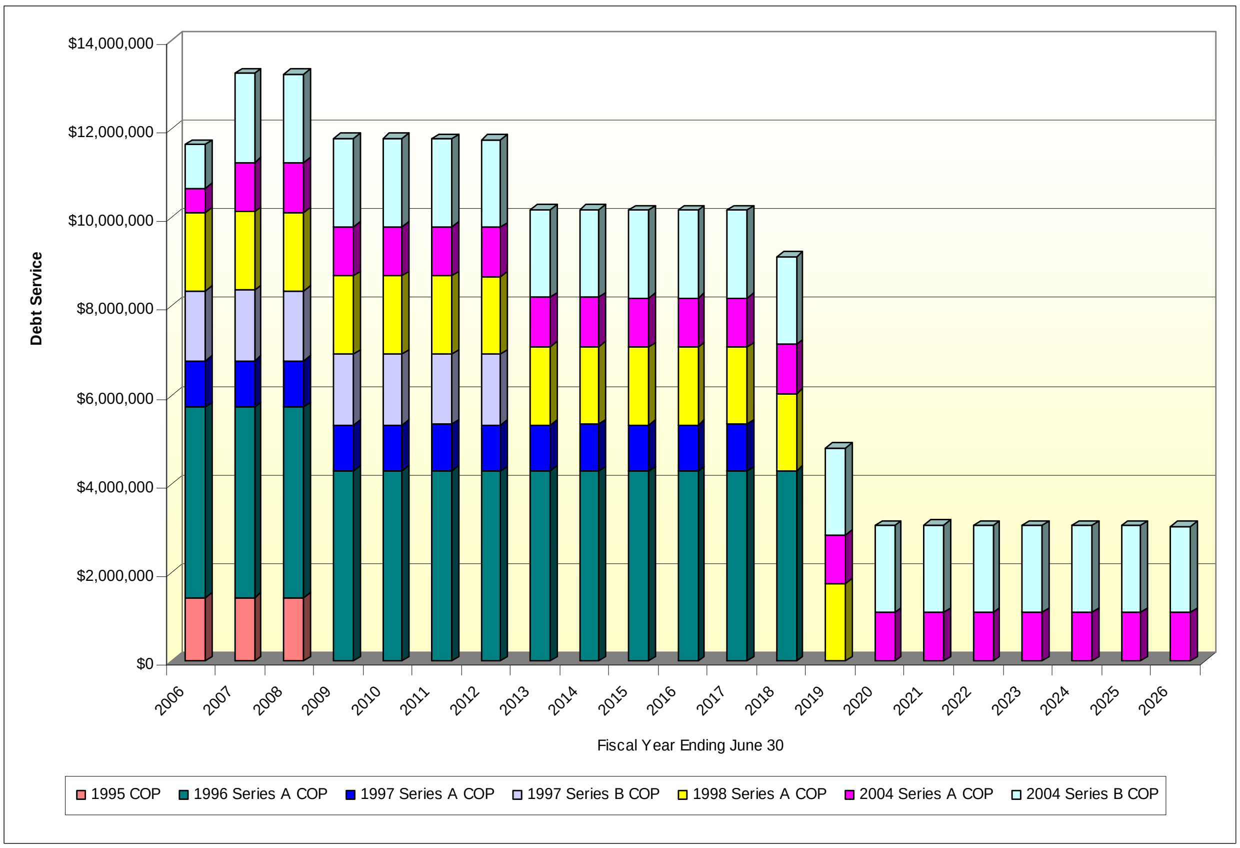
[70] The component of this Direct Debt figure are COP Principal $122,500,000, POB Principal $75,890,000 and Capital Leases $23,150.61.

Table 16: Stanislaus County Outstanding Debt Issues as of June 30, 2005

Outstanding Debt Issues	Purpose	Sale Date	Original Par Amount	Principal Outstanding as of June 30, 2005	Final Maturity	2005-06 Debt Service
Series 2004 A	Construction of a portion of Gallo Center for the Arts	03/26/04	$15,340,000	$15,340,000	8/15/2025	$545,645
Series 2004 B	Construction of 12th Street Office building and parking garage	03/26/04	$27,455,000	$27,455,000	8/15/2025	$976,461
Series 1998 A	Construct a portion of 10th Street government building with the City of Modesto	02/25/98	$22,160,000	$18,835,000	9/1/2018	$1,770,906
Series 1997A	Construct Agricultural Center and police officer training building	04/30/97	$12,035,000	$9,405,000	5/1/2017	$1,046,416
Series 1997B	Refund a portion of 1992 series A and B COPs	12/03/97	$10,630,000	$9,700,000	6/1/2012	$1,581,565
Series 1996 A	Refund remaining portion of 1989 COP (see 1995 COP below)	11/17/95	$55,920,000	$41,910,000	5/1/2018	$4,286,826
Series 1995	Pension Obligation Bonds	09/18/95	$108,970,000	$81,685,000	8/15/2013	$11,428,591
Series 1995	Refunding a portion of 1989 COP	06/07/95	$13,755,000	$5,105,000	5/1/2008	$1,439,755

Source: Stanislaus County Official Statements and FY 2005 CAFR.

Figure 26: Principal and Interest Annual Debt Service on Stanislaus County Certificates of Participation



Source: Stanislaus County Official Statements and FY 2005 CAFR.

Stanislaus County has a very sound financial strategy for paying off its debts as they become due. Earnings from trustee-held funds and offsetting County revenues substantially reduce the County's annual debt service burden. We have provided a breakdown of offsetting revenues tied specifically to each transaction in the table below.

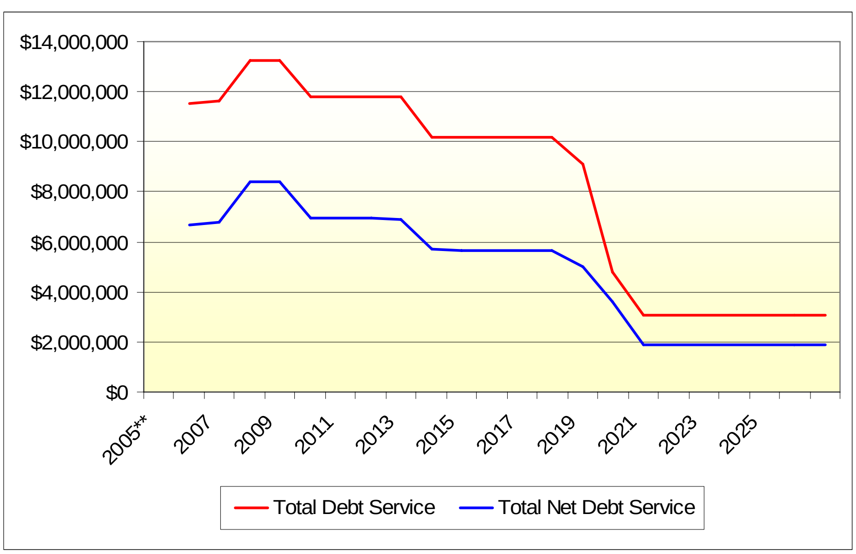
Table 17: Stanislaus County Certificates of Participation Offsetting Revenue Sources

COP Issuance	Purpose	Annual Offsetting Revenue	Source of Offsetting Revenues
Series 2004 A	Construction of a portion of Gallo Center for the Arts	-	-
Series 2004 B	Construction of 12th Street Office building and Parking Garage, and the Salida Library	$573,672	Library Public Facilities Fees
		$350,000	Criminal Justice Construction Fund
		$150,000	Criminal Justice Public Facilities Fees
		$84,809	Rent from Westlands Dev Parking Garage
Series 1998 A	Construct a portion of 10th Street government building with the City of Modesto	$34,374	Department of Employment and Training Rent
Series 1997A	Construct Agricultural Center and police officer training building	$238,561	Ray Simon Training Center Rent
		$116,240	Agricultural Center Gas Tax Reimbursement
		$50,210	Department of Food and Agriculture Rent
Series 1997B	Refund a portion of 1992 series A and B COPs	$163,596	Public Defender Rent
		$83,333	Clerk-Recorder Rent
		$83,332	Clerk-Elections Rent
		$19,973	Grand Jury Rent
Series 1996 A	Refund remaining portion of 1989 COP (see 1995 COP below)	$2,077,710	Community Services Agency Rent
		$828,173	Public Facilities Fees
Series 1995	Refunding a portion of 1989 COP	-	-
	Total Offsetting Revenues	**$4,853,983**	

Source: 2005-06 Final Budget

Rating agencies view the County's net county cost schedule as a credit positive. The chart below demonstrates the difference between the County's gross debt service obligation and the County's debt service payments, net of offsetting revenues.

Figure 27: Net Debt Service Chart



Excluded from direct debt ratios are self-supporting debt issues including:

- TANs, RANs, and TRANS;
- State aid reimbursements or well defined, long-standing programs;
- Enterprise debt secured by revenues only (ie. solid waste); and
- Tax secured enterprise debt that is fully or partially self-supporting from the enterprise.

Generally, "bonds that are supported by special assessments, sales tax, gas tax, or tax increment financing (TIF) revenues will not be considered self-supporting, and will be included in the direct debt of the issuer."[71] We excluded TRANs and enterprise debt such as that of the Stanislaus Waste-to-Energy Financing Authority from the computation of the County's ratios.

COP Rating and Credit Enhancement. Each of Stanislaus County's COPs, with the exception of the 1997 Series A COP, was sold with credit enhancement. At the time of sale, each enhanced COP was rated 'AAA' or 'Aaa', reflecting the purchase of a bond insurance policy or other form of credit enhancement. The 1997 un-enhanced Series A COP is currently rated 'A' by S&P and A3 by Moody's. These ratings represent the standalone or underlying lease rating for the County as discussed earlier in the report. It is worth noting that each COP is subject o an optional call by the County after a specified period of time. Details regarding enhancement and rating as well as call dates and premiums are presented in Table 18.

[71] Standard & Poor's, Public Finance Criteria: Debt Analysis, October 22, 2004.

Table 18: Outstanding COP Enhancement and Callable Features for Stanislaus County[72]

Certificate of Participation	S&P underlying rating	Moody's underlying rating	Call Date	Call Premium	Credit Enhancement (Insurance)	Principal Pmt Date	Interest Pmt Date
Series 2004 A	NR	NR	9/1/12 & 8/31/13 after	101% 100%	AMBAC	Aug 15, starting 8/15/06	Aug 15 & Feb 15, starting 8/15/04
Series 2004 B	NR	NR	9/1/12 & 8/31/13 after	101% 100%	AMBAC	Aug 15, starting 8/15/06	Aug 15 & Feb 15, starting 8/15/04
Series 1998 A	NR	A3	9/1/08 & 3/1/09 9/1/09 & 3/1/10 9/1/10 & after	101.0% 100.5% 100.0%	MBIA	Sept 1, starting 9/1/2000	Mar 1 & Sept 1, starting 9/1/98
Series 1997A	NR	A3	5/1/07 & 11/1/07 5/1/08 & 11/1/08 5/1/09 & after	101.0% 100.5% 100.0%	None	May 1, starting 5/1/1999	May 1 & Nov 1, starting 11/1/97
Series 1997B	A	A3	6/1/07 & 12/1/07 6/1/08 & 12/1/08 6/1/09 & after	102% 101% 100%	AMBAC	June 1, starting 6/1/98	Jun 1 & Dec 1, starting 6/1/98
Series 1996 A	NR	A3	5/1/06 & 11/1/06 5/1/07 & 11/1/07 5/1/08 & after	102% 101% 100%	MBIA	May 1, starting 5/1/1997	May 1 & Nov 1, starting 5/1/96
1995	NR	A3	5/1/05 & 11/1/05 5/1/06 & 11/1/05 5/1/07 & after	101.0% 100.5% 100.0%	AMBAC	May 1, starting 5/1/1996	May 1, starting 5/1/1996

Source: Stanislaus County Official Statements, FY 2005 CAFR, Rating Information obtained from Moody's and S&P ratings desk.

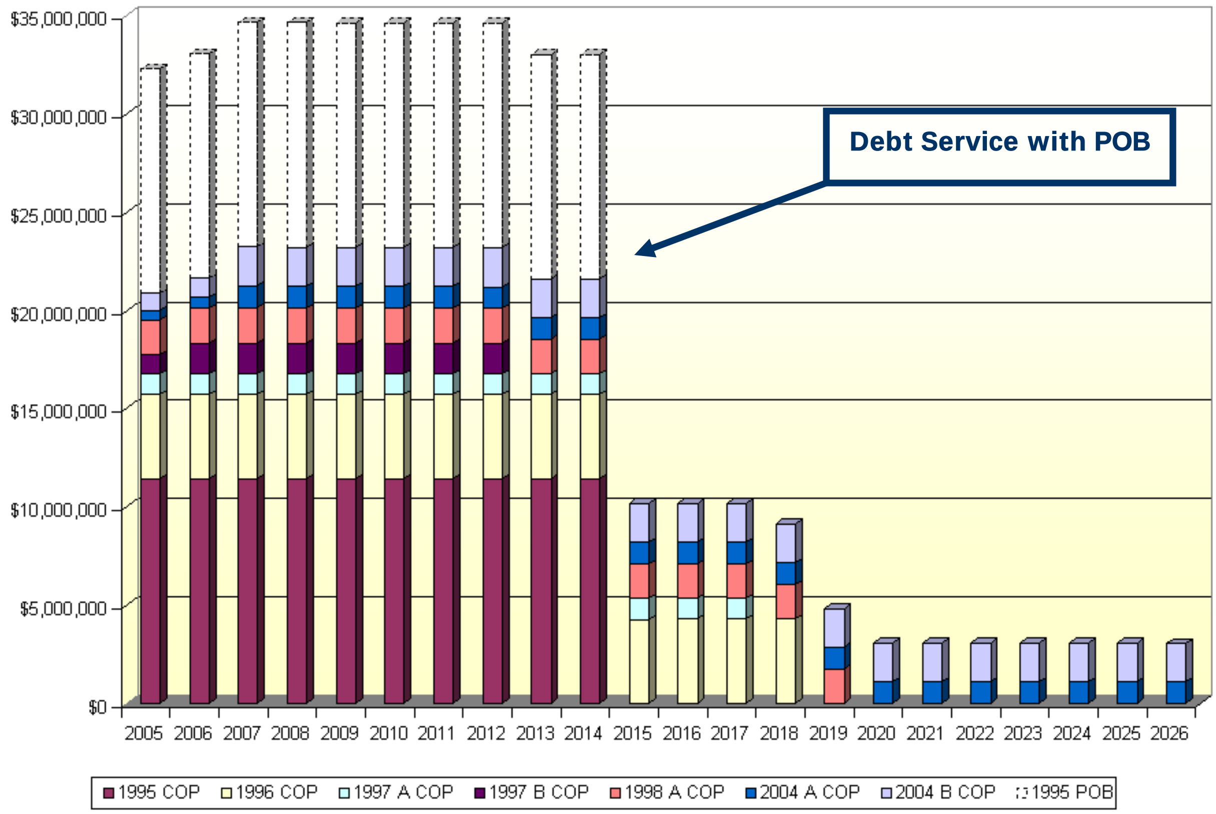
Pension Obligation Bonds

On September 25, 1995 (delivery date), the County of Stanislaus issued a Pension Obligation Bond (POB) in order to extinguish its Unfunded Accrued Actuarial Liability (UAAL). The County's pension liability to StanCERA then stood at $107,500,000. The most recently reported funded ratio at July 1, 2004 was 95.9% and the funded ratio was at least 100% between the date of issuance of the POB through FY 2003. The par amount for the POB issue was $108,970,000. Unlike the COPs, this debt issue was non-callable; however, it also carried bond insurance (MBIA) and was rated AAA and Aaa by S&P and Moody's respectively.

As can be seen in Figure 28, the debt service on this POB forms a substantial portion of the total debt service payments (approximately 50%) for the County with principal payable on August 15 of each year and accrued interest payable on February 15 and August 15 of each year. The 1995 POB is the only POB outstanding for the County and matures in FY 2015.

[72] Except for the Series 1997A COP which was sold uninsured, all of the County's other COPs have AAA insured ratings (see Table 1 for more information).

Figure 28: County Direct Debt Service with POB



Source: Stanislaus County Official Statements and FY 2004 CAFR.

Notice that with POB Debt, debt service payments peak[73] in 2007 at $24.7 million (this is the FY in which the 2004 COP debt service payments begin amortizing fully) and diminishes only slightly through FY 2014 (about 12%) until the POB is fully paid off in August 2013. As you can see from the chart, the County's debt service will drop significantly between FY2014 and FY2015. As of June 30, 2005, the total POB portion of Direct Debt was $75,890,000. Rating agencies look at debt ratios with and without POB debt because entities who do not formally issue pension obligation bonds often are still required to make annual contributions to fund their retirement agencies. These pension system contributions do not show up as debt payments, but still impact the financial status of the issuer.

Pledged Assets

Credit Analysts care about the essentiality and quality of pledged assets that are posted as collateral for COPs. All things equal, the higher the value, quality, and essentiality of the encumbered asset, the higher the quality of the debt, resulting in higher ratings and lower bond insurance premiums.

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[73] Total Stanislaus County debt service payments without POB will peak in FY 2007 as well (see Figure 26).

Most Stanislaus County COPs are backed by one or more valuable assets (see Table 19). Until the associated debt is fully extinguished, the County has limited discretion over the pledged asset and the County could potentially lose the property in case it were to default on its debt service payments. As soon as the 1995 COPs are paid off on May 1, 2008, five valuable County assets will be immediately available. However, through August 1, 2025 the County will have some assets encumbered.

Table 19: Pledged Assets for Stanislaus County COPs

Certificates of Participation	Encumbered Property	Final Maturity Date
County of Stanislaus Certificates of Participation (2004 Capital Improvement Projects) Series 2004 A and 2004 B	Series A: City Hall Building 12th Street Garage Jail and 26,000 sq. ft. of land Salida Regional Community Center and Library Series B: Gallo Center for the Arts	8/15/2025
County of Stanislaus Certificates of Participation Series A of 1998 (Downtown Center)	1010 10th Street	9/1/2018
County of Stanislaus Refunding Certificates of Participation Series B of 1997	Public Safety Center Kitchen, Laundry, Housekeeping Services Community Service Facility, POD D Medical Arts Building Bank of America Building	6/1/2012
County of Stanislaus Certificates of Participation 1997 Series A (Capital Facilities Projects)	Ag Center and Ray Simon Criminal Justice Training Center	5/1/2017
County of Stanislaus Refunding Certificates of Participation (Capital Improvement Program) Series A of 1996	Public Safety Center Main Jail Pods A, B, C at Community Services Facility on Hackett Road	5/1/2018
County of Stanislaus Refunding Certificates of Participation (Capital Improvement Program) Series 1995	Minimum Security Housing Unit Community Service Facility, POD D on Hackett Road Excess vacant land at Public Safety Center Sheriff's Operations Center Juvenile Justice Facility	5/1/2008
Certificates of Participation 1992 Series B	Public Safety Center Kitchen, Laundry, Housekeeping Services	6/1/2012

Source: Stanislaus County Auditor-Controller Office

The 2004 Series A and B COPs were the first where the County's pledged assets were viewed by the capital markets as "less essential" such as a Parking Garage for the Series A COP and a Performing Arts Center for the Series B COP. This contributed to higher bond insurance premiums for these financings than paid by the County in prior financings. This also would have contributed to a lower underlying rating had the County requested underlying ratings. This example shows some important trade offs in using less essential assets as collateral for debt.

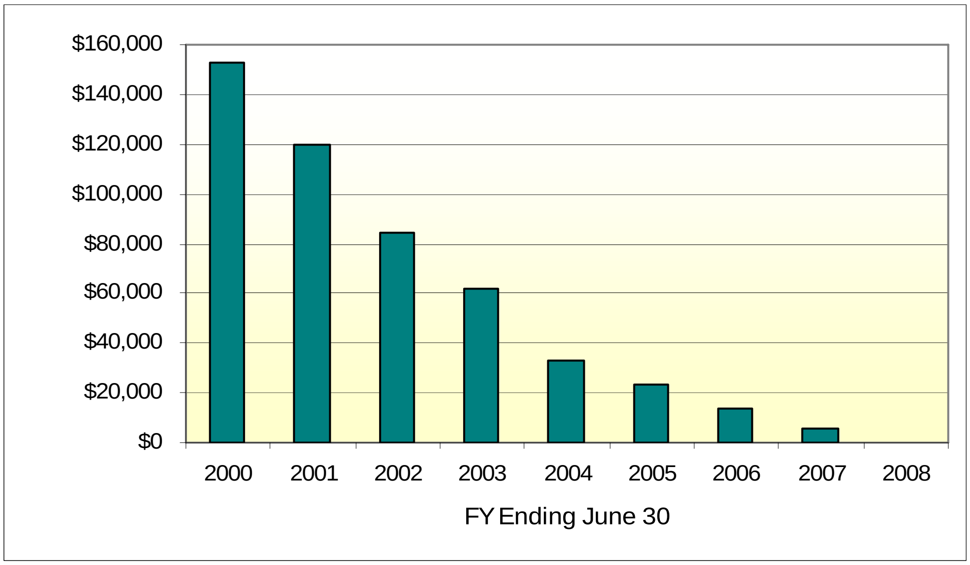
Capital Lease Obligations

As previously indicated, credit analysts frequently incorporate the County's capital lease obligations into the calculation of debt ratios. The County of Stanislaus has a negligible amount of GF capital leases outstanding when compared to outstanding COP and POB balances. In all, capital leases for the FY ended June 30, 2005 contributed about

1 basis point[74] to the direct debt burden of the County. In the prior year, the contribution margin was equally insignificant (1 ½ basis points). Figure 29 shows the County's total GF Capital Lease Obligation whereas Figure 30 shows the annual debt service payments on these lease obligations. Capital leases are typically used to finance equipment including automobiles, computers, desks, etc.

Through 2007, the GF capital lease obligation will plummet by over 96% (with reference to the 2000 high of $152,839). Beyond this date, assuming no new capital lease contracts, the County will have no obligations. The average lease obligation for the 8-year period shown in Figure 30 (2000 through 2007) is merely $61,900.

Figure 29: Stanislaus County's GF Capital Lease Obligations are minimal

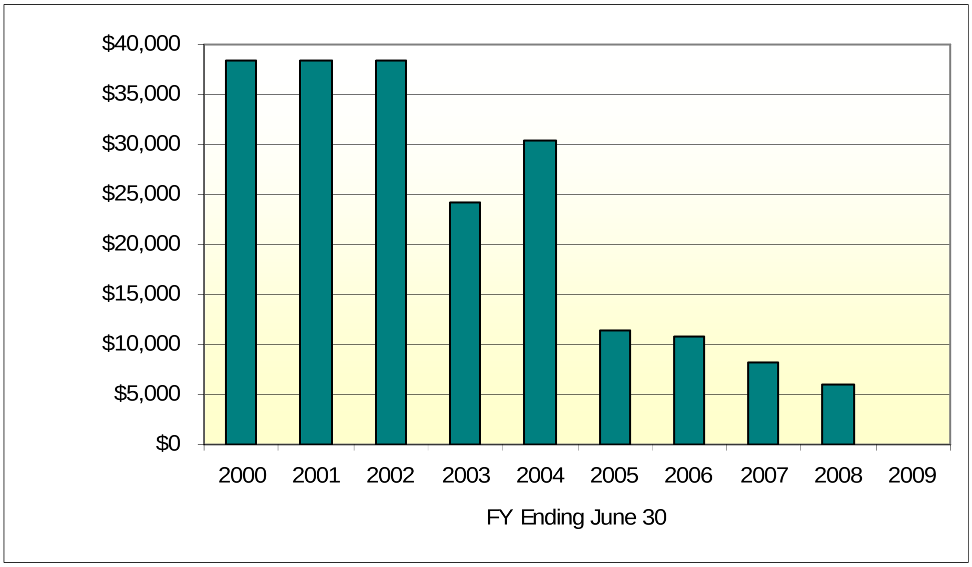


Source: Stanislaus County Auditor-Controller Office.

The annual capital lease payments are quite minor as well. Note from Figure 30 below that payments are expected to drop steadily to zero in 2009. The slight increase in lease payments between 2003 and 2004 is due mainly to the capital lease acquisition of a County transportation vehicle (CEO Tahoe) which was subsequently paid off completely in FY 2005.

[74] One basis point is equivalent to 0.01%

Figure 30: Annual Lease Debt Service on the County's Existing Capital Leases is decreasing



Source: Stanislaus County Auditor-Controller Office.

Debt Ratios

There are several debt ratios and quantitative measures used to assess the debt burden of a municipality. Selections of these informative ratios, those that credit analysts frequently calculate and interpret, are as follows:

1. Direct and Overall Debt to Assessed Value
2. Direct and Overall Debt per Capita
3. Direct Debt per Capita as a percentage of Per Capita Income (Debt to Income)
4. Debt Service Payments to GF Expenditures
5. Net Debt Service Payments to GF Expenditures
6. Direct Debt Amortization over next 10 years

Once again the reader is cautioned to bear in mind that the direct debt and debt service computations for Stanislaus County reported here exclude capital lease obligations even though their inclusion will have minimal, if any, impact on the value of the ratios.

In order to put these ratios into context, we shall compare them to median ratios generated by S&P for all actively A-rated counties with populations greater than 150,000. Table 20 provides a summary of these ratios and more detailed median data and benchmarks can be found in Appendix E.

Table 20: S&P Debt Ratio Median Values for 2006

	Debt Ratios without POB	S&P 2006 Medians (all A-rated US Counties)[1]	S&P 2005 Ratio Ranges (Counties over 150,000)[2]
1a	Net Direct Debt to Assessed Value[3]	0.6%	0.21% - 0.70%
1b	Overall Net Debt to Assessed Value[5]	2.5%	1.47% - 2.80%
2a	Net Direct Debt per Capita[4]	$266	$117 - $400
2b	Overall Net Debt per Capita[5]	$1,310	$880 - $1,835
3	Debt per Capita as % of Per Capita Income	N.A.*	N.A.
4	Debt Service per GF Expenditure and Net Transfers (Carrying Charge)	6.5%	3.21% - 8.29%
5	Net Debt Service per GF Expenditure	N.A.*	N.A.
6	Debt Amortization Schedule	61.7% over 10yrs	N.A.

*N.A. = Not Available
[1] Counties with population over 150,000, excluding POB.
[1] Figures are for the "average" range.
[3] Tax-supported debt (net of self-supporting and TRANs) divided by Assessed Value.
[4] Tax-supported debt (net of self-supporting and TRANs) divided by population.
[5] Overall debt includes direct and overlapping debt.

Source: Standard & Poor's, RatingsDirect, Research: U.S. GO Rating Distributions and Summary Ratios, 2006.

Direct and Overall Debt to Assessed Value (AV). The ratio of direct debt to AV is so crucial and widely used in credit analysis that it is often uniquely identified as the "Debt Burden." The importance of this ratio is seen in light of the fact that it provides information regarding direct debt per dollar of AV, the most important measure of the tax base of a local jurisdiction. Needless to say, legal bonded debt limitations set by statues are computed as fixed percentages of the AV for a jurisdiction. Lower debt burdens are clearly preferred and viewed favorably by rating analysts and market participants.

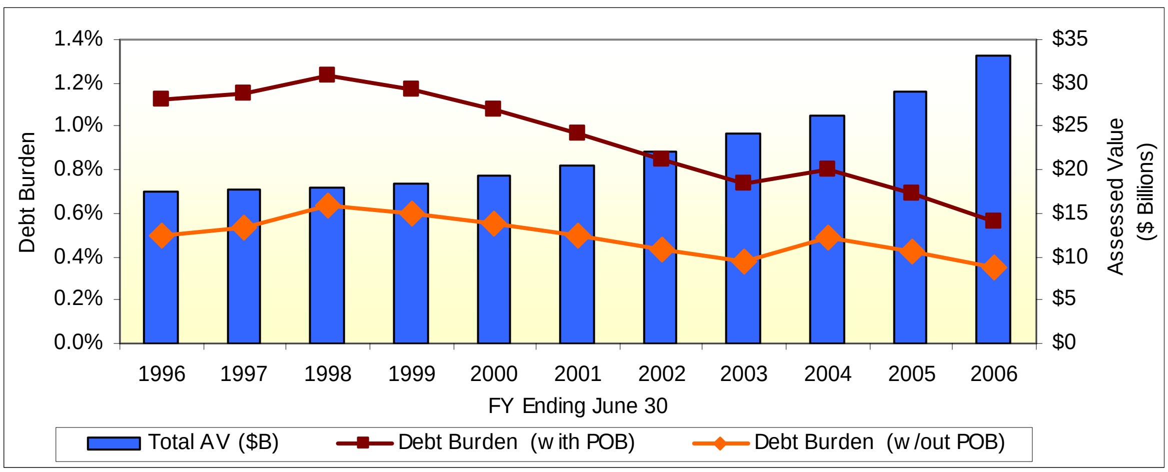
It is worth digressing to talk about the implications of a high debt burden. According to S&P, "A [county] near its debt limit [or one that has an excessive debt burden] has less flexibility to meet future capital needs, but, more importantly, may be unable to borrow money in the event of an emergency."[75] Hence, the risk associated with a high debt burden is potentially disastrous. If a county is too heavily indebted, it could lose control of a large portion of its assets as well as succumb to the dictates of the financial markets. In the event of declining interest rate environments, high debt-burden counties have challenges if they want to refinance their debt and, if they do, they are not able to qualify for the best rates. Local governments need to constantly monitor their debt burden and assess the impact of new/future financings with regards to this ratio.

[75] Standard & Poor's 2000 edition of Public Finance Criteria, p. 25.

We shall provide an example of how the debt burden of the County is calculated. For FY ended June 30, 2005, Stanislaus County had a total direct debt (includes POB) and Assessed Valuation of $198.39 million and $28.90 billion respectively. The quotient of these two numbers gives a debt burden value of 0.69% which is identifiable in Figure 31. The ratio for FY 2006 is 0.56%. Note that other than the slight rise in debt burden experienced between FY 2003 and FY 2004, which is attributable to the Series 2004A and Series 2004B COP issues, debt burden for the County has fallen very steadily every year from 1998 though 2006. This is due largely to the substantial increase in AV over that time.

Debt burden values without POB are much lower. For FY 2005 and FY 2006, the calculated values are 0.42% and 0.35% respectively. Figure 31 confirms that the County's debt load without POB has always been very favorable when compared to the S&P median of 0.6% (see Table 20). Moreover, the County's debt burden ratio is expected to decrease rapidly into the future, assuming no further indebtedness. According to S&P's recommendations, Stanislaus County's current debt burden falls in the "average" category. S&P's maximum "average" without POB is 0.70%.[76]

Figure 31: The Debt Burden for Stanislaus County has been declining.



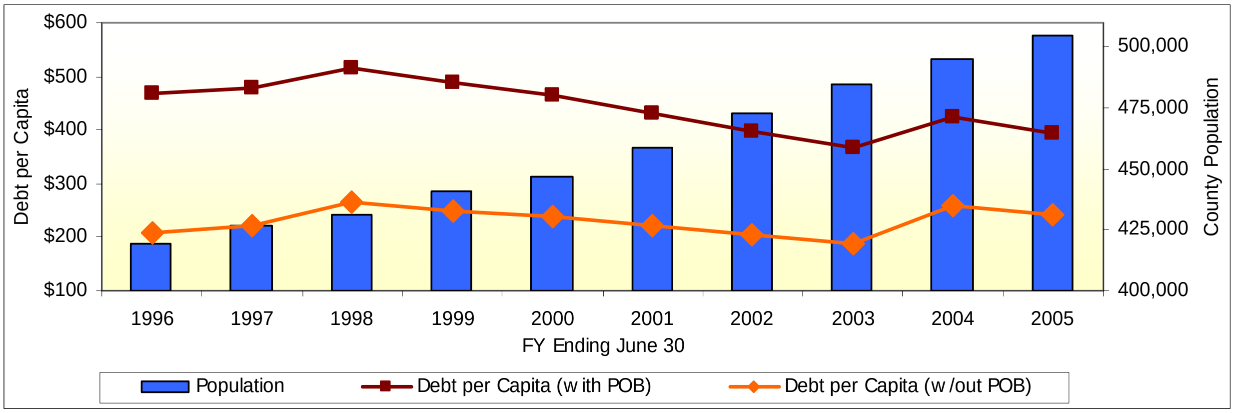
Source: AV data from Stanislaus County FY 2005 CAFR; ratios are calculated.

Direct Debt Per Capita. Another important measure of debt affordability is the direct debt per capita ratio. The ratio measures the debt burden assuming it is owned by the individual taxpayer. The key concept associated with the interpretation of this ratio is that the higher the population of a jurisdiction, the higher the taxes it can earn to repay debt service. Thus when the debt is spread over a huge population base, the residents hardly feel its impact. In theory, as the population size grows a county should be able to comfortably issue more debt, all things being equal.

[76] Standard & Poor's State and Local Government Credit Analysis By The Numbers, March 7, 2005. S&P calculated debt burden as a ratio of direct debt to market value.

For FY ended June 30, 2005, the debt per capita for Stanislaus with and without POB was computed to be $393.25 and $242.82 respectively; S&P's median value without POB is $266 (see Table 20) and this value falls within S&P's "moderate" range. The Government Financial Officers Association (GFOA)[77] reports that a value less than $500 falls in the "low" category. Direct Debt per Capita values for Stanislaus—with POB or excluding POB—obviously clear this hurdle and so we can safely conclude that the County's residents are not "over-burdened" with the County's direct debt.

Figure 32: Stanislaus County Residents Are Not Overburdened With Direct Debt.



Source: Population data from California Department of Finance (www.dof.ca.gov); ratios are calculated.

Direct Debt per Capita as a Percentage of Per Capita Income (Debt to Income). This is a very important measure of financial leverage for the County and measures the individual burden against the individual's ability to pay. All things equal, as the wealth of the residents of a local jurisdiction increases, the higher their ability to support more debt. That is, the jurisdiction has a better chance of deriving revenues (taxes) from the residents to service existing debt if they are wealthy.

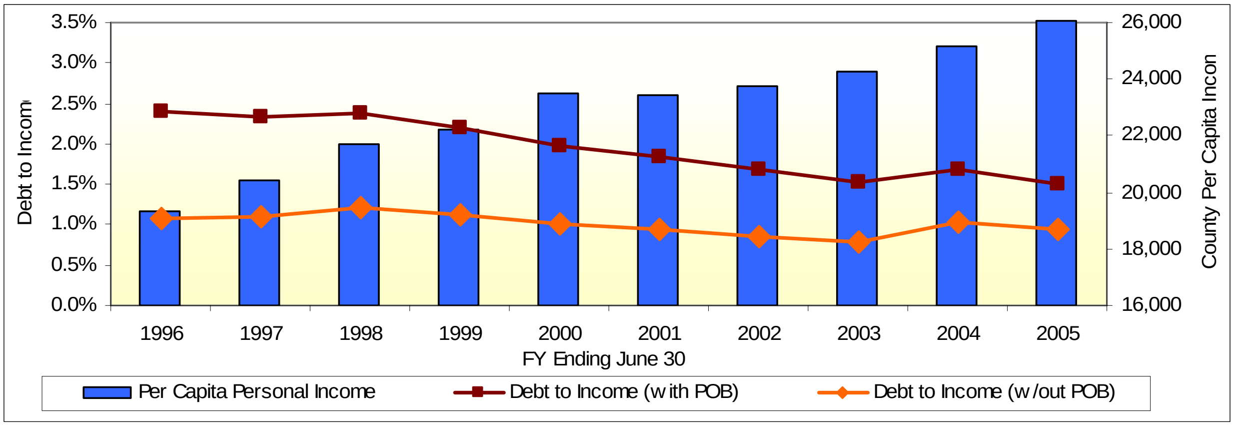
For Stanislaus County, Per Capita Personal Income for 2003 was $24,276. As mentioned earlier, the wealth of the Stanislaus County residents, as measured by Per Capita Personal Income, has been rising at an average annual rate of 3.6% or $617 since FY 1984. Figure 33 depicts Per Capita Personal Income values and the corresponding debt per income values. If we were to extrapolate a per-capita personal income growth rate, the computed debt per income for 2005 with and without POB would be 1.51% and 0.93% respectively.[78] The effect of the 2004 COP issue on this ratio was very minimal reflecting the ability of the County residents to withstand the additional debt load due to their personal income levels.

[77] Government Finance Review August 1991, p. 12.

[78] Per Capita Personal Income for 2004 and 2005 were estimated based on historical values.

We do not have a 2005 S&P median benchmark for this ratio. However, based on guideline values provided by S&P of 3%[79], Stanislaus County's debt per income falls within the "low" category even with POB Direct Debt.

Figure 33: The County Residents Are Wealthy Enough To Support The Current Load



Source: Per Capita Income data from Regional Economic Accounts (www.bea.gov); ratios are calculated.

Debt Service per General Fund Expenditure (Carrying Charge). Another ratio that is very important and commonly used to measure leverage and the debt repayment ability of a county is direct debt service per GF expenditure. This ratio, also commonly called carrying charge,[80] measures the portion of GF expenditures that go towards debt service. As mentioned earlier, for our computations, we assumed that direct debt is entirely paid for by revenues received into the General Fund of a county.[81] Since there are additional obligations on this revenue source, too much debt could be disastrous or at best signal possible financial hardships for the County and limit its ability to adequately meet debt repayment schedules. We have added net operating transfers to total GF expenditures, as is customary rating agency practice.

For FY 2005, Stanislaus County spent about 11 cents on debt repayment per every dollar of GF expenditure. Figure 34 shows historical and projected Debt per GF Expenditure ratio for the County through FY 2007. We deliberately projected that far in order to capture the potential impact of the most recent 2004 COP issues which do not begin to fully amortize debt service until FY 2007; the GF expenditure values starting in FY 2005 were estimated using a simple regression model which we shall discuss in Section VI of this report (also see Appendix D). The slight increase in the ratio without POB starting in FY 2004 is due to the effect of debt service payments from the 2004 COP. Note that the ratio of debt service per GF expenditure (without POB) peaked in 1996 and has since declined steadily through FY 2005. Total Debt Service payments (including POB)

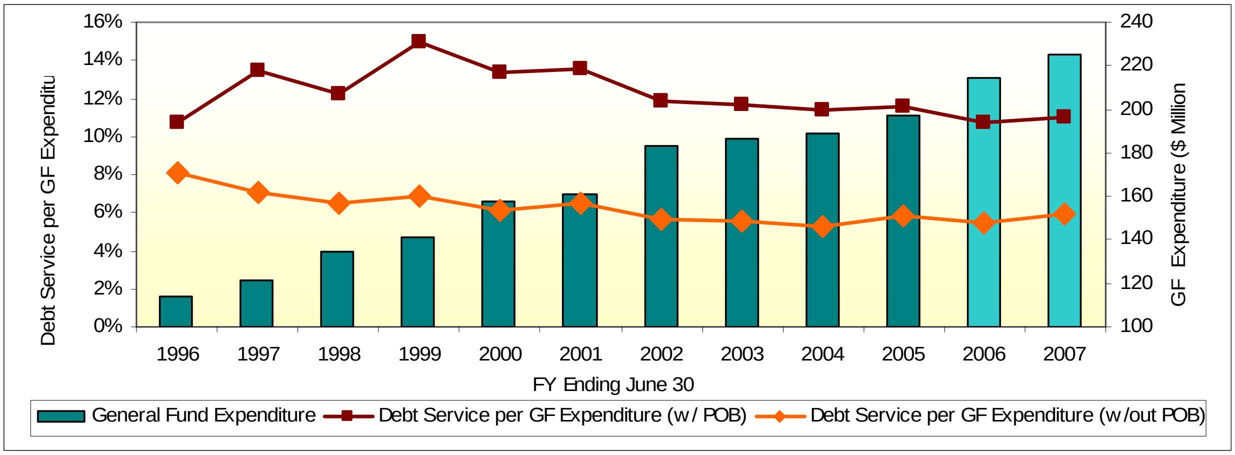
[79] Standard & Poor's Public Finance Rating Criteria, 2000.

[80] Standard & Poor's defines carrying charge as "Total tax-supported debt service divided by general fund expenditures and net transfers" (S&P U.S. GO Rating Distributions and Summary Ratios, May 18, 2005).

[81] According to the Stanislaus County Auditor Controller office, a small portion of Direct Debt repayment funds may come from other sources such as Enterprise Funds.

jumped markedly from FY 1998 to FY 1999 due to POB principal payments starting. This explains the increase in total debt service (including POB) per GF expenditure from 12% to almost 15% for this period.

Figure 34: Debt Service per General Fund Expenditure[1] for Stanislaus County, FY 1996 – FY 2007



Source: Per Capita Income data from Regional Economic Accounts (www.bea.gov); ratios are calculated.
[1] GF expenditures is net of operating transfers.

For FY 2005, Stanislaus County spent only 5.8 cents on debt repayment (without POB) per every dollar expended by the GF. This level of expenditure is expected to be 5.5 cents in FY 2006, and 6.0 cents in FY 2007; S&P's 2006 median from Table 20 is 6.5 cents or 6.5%, and the "average" range is between 3.21-8.29[82] cents for counties with populations in excess of 150,000. Again, Stanislaus County's ratio clearly falls below the median for all S&P A-rated Counties and into the "average" category.

Net Debt Service per General Fund Expenditure (Carrying Charge). If we were to look at the comparable debt service figures based upon a debt service schedule net of offsetting revenues, the numbers change dramatically. For FY 2005, Stanislaus County spent 3.4 cents on debt repayment (without POB) per every dollar expended by the GF, when offsetting revenues are accounted for. The comparable figure is expected to be 2.6 cents per dollar and 4.1 cents per dollar in FYs 2006 and 2007, respectively. The full breakdown of offsetting revenues is presented in Table 17 in Section IV.

Debt Amortization Schedule

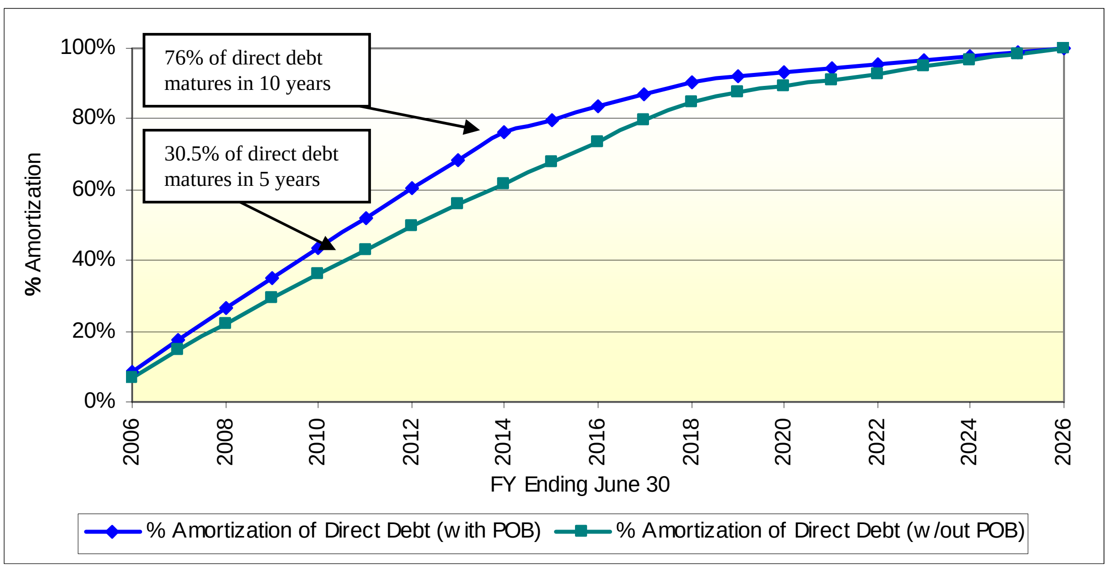
Prudent debt management practice is exhibited when a county ensures that facilities outlast the debt service payments used to finance their construction. In fact, often accelerated maturity schedules are preferred if they lead to lower interest costs and create capacity for additional debt, assuming the repayment is not too fast to over-burden the operating budget of the County. According to the GFOA, "A more rapid

[82] Standard & Poor's State And Local Government Credit Analysis By The Numbers, march 2005.

debt redemption schedule creates additional borrowing capacity—as debt is paid off, new debt becomes more affordable."[83]

As of June 30, 2005, Stanislaus County would retire 30.5% and 76% of its outstanding Direct Debt in 5 and 10 years respectively. At this rate, the County has a faster debt repayment schedule than the generally recommended S&P guidelines of 25% and 50% respectively. S&P's 2006 median for 10-year amortization from Table 20 is 62%. Figure 35 depicts the amortization of direct debt for Stanislaus county as of June 30, 2005. The County's debt amortization shows sound financial practice that will lead to considerable interest savings and additional debt capacity. However, due attention should be given to potential budget impacts of such rapid debt payment schedules. The final direct debt payment for the County is due in 2026.

Figure 35: Stanislaus County has an accelerated repayment schedule that rapidly creates additional debt capacity



Source: Ratios are calculated as of June 30, 2005.

Summary and Conclusion

The following page contains a table which summarizes Stanislaus County's key debt ratios and the corresponding comparable medians provided by Moody's and S&P. All of the following ratios exclude POB debt. In general, Stanislaus County's key debt ratios are moderate. Remember that no single ratio is dispositive. Rather, it is important to consider the ratios in total to get a complete view of the County's debt burden.

[83] Government Finance Review, August 1991.

Table 21: Stanislaus County Financial and Debt Ratios

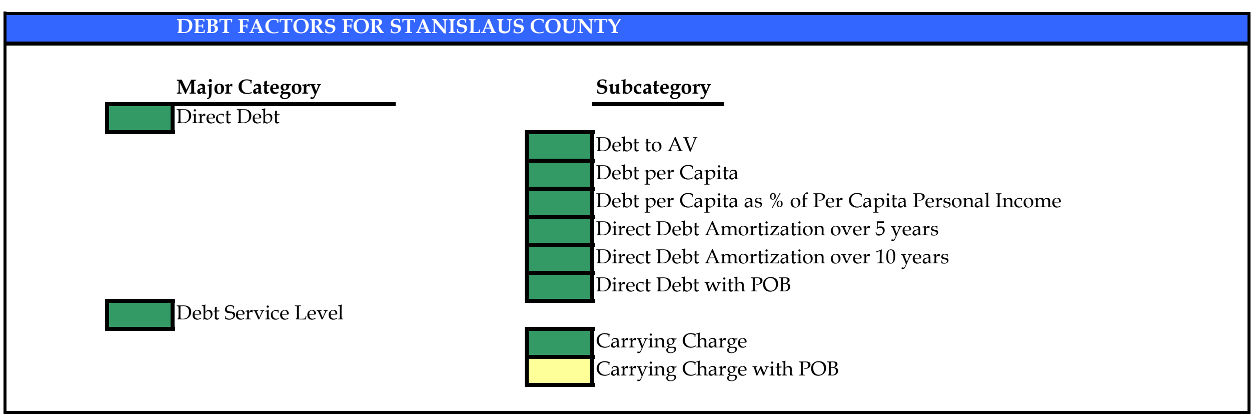
Ratio for FY ending June 30, 2005	Stanislaus County	S&P 2005 Ratio Ranges (Counties over 150,000)[1]	S&P 2006 Medians (all A-rated US Counties)[2]	Moody's 2005 Local Government National Medians[3]
Debt per AV, FY 2005	0.42%	moderate	0.60%	0.50%
Overall Net Debt to AV, FY 2005	2.78%	moderate	2.5%	3.10%
Debt per Capita, FY 2005	$243	moderate	$266	N.A.
Overall Net Debt Per Capita, FY 2005	$1,726	moderate	$1,310	N.A.
Debt per Capita as % of Per Capita EBI, FY 2005	1.65%	N.A.	N.A.	N.A.
DS per GF Expenditure[4], FY 2005	5.83%	N.A.	6.50%	N.A.
Net DS per GF Expenditure[4], FY 2005	3.37%	N.A.	N.A.	N.A.
10-year debt amortization, FY 2005	67.54%	moderate	61.70%	N.A.

[1] State and Local Government Credit Analysis By the Numbers, March 2005.
[2] Counties with population over 150,000.
[3] Counties with population greater than 250,000, but under 1 million.
[4] General Fund Expenditures are net of Transfers In and Transfers Out. Net debt service is net of offsetting revenues.

Appendix E shows a listing of all the important debt ratios for the county considered in this section and their June 30, 2005 current values. We have also provided different benchmarks and medians that reflect how these numbers might be perceived by rating analysts and market participants.

Figure 36 below shows a summary table of all the major debt ratios considered in this section and their corresponding color codes. In our estimation, along with well established benchmarks established by rating agencies, none of these ratios for the County is alarming. In the next section, we shall provide information regarding how Stanislaus County's debt ratios compare to those of a carefully selected group of peers. We can glean additional credit rating information from such comparisons and obtain a better sense of how the County is performing vis-à-vis its closest peers.

Figure 36: Summary Table of Debt Factors



KEY

	Green indicates that we view our findings as positive with regards to the County maintaining its current credit-worthiness, even with additonal debt
	Yellow indicates that we view our findings as cautionary with regards to taking on additional debt. To maintain or receive an investment-grade rating, additional information or mitigating factors might be required

Section V

PEER GROUP DISCUSSION

PEER GROUP ANALYSIS

Introduction

A peer comparison section is being included in the current DCR for the important reason that the County will find it most useful when assessing its current economic, financial and debt ratios in terms of those of a carefully selected group of peers that closely resemble Stanislaus in several respects. This analysis will provide a context to properly determine how well the County is performing. While the popular county medians that are frequently published by rating agencies like Moody's and S&P's are useful in providing a broad context for comparison, the values are generated using all actively rated national or California counties or other sub-categories, which include many that can hardly be considered fair peers of Stanislaus County. Further, these nation-wide medians are often delayed by several years. Lastly, the rating agencies report their median without POB debt. This peer group analysis provides medians with and without POB debt.

There, however, are a few caveats associated with the usage of the data we have published in this peer group section. First, we have relied heavily on county Official Statements and Comprehensive Annual Financial Reports (CAFR) and audits to generate current debt profiles and ratios and have not independently verified any of the data in these documents. While we tried to reconcile financial figures in both documents and talked to county officials as needed, we are dependent upon the counties and their public documents for the accuracy and completeness of our data.

Second, the user of this report is advised that proper comparison should not be done on the basis of individual numbers and ratios. Rather, a better picture of how Stanislaus County is performing relative to its closest peers is seen in the light of a broad look at all the pertinent rating factors. For this reason, relevant information and ratios that related to all the three major rating categories discussed above—economic, financial and debt factors—have been provided. Administrative factors are not discussed.

Peer Selection Criteria

We decided to limit ourselves to the State of California in picking peer counties for Stanislaus. In order for a county to be involved in our "Peer Group Category," it had to meet a set of relevant criteria:

1. The population of the county had to be greater than 100,000 and less than one million. This criterion disqualified counties such as Sacramento and Los Angeles whose population were too large and others such as Butte and Siskiyou whose population were too small. The 2005 population range for our Peer County group ranged from 141,007 (Madera) to 883,537 (Fresno) with a median population of 457,177. The population for Stanislaus County for 2005 was 504,482.

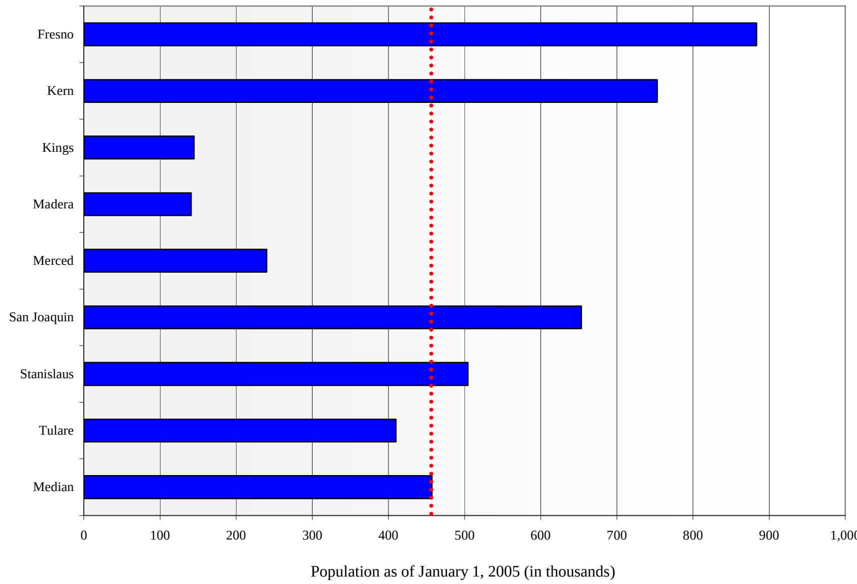
2. The assessed valuation for the county had to be a minimum of $5 billion and a maximum of $50 billion. Once again counties with very small and very large tax-bases were excluded to ensure that AV based ratios were representative of what one would expect for Stanislaus County whose FY 2005 AV was $28.9 billion. The AV range for our Peer County group was $5.7 billion (Kings) to $50.1 billion (Kern) with a median of $23.8 billion.
3. The most important selection criteria focused on economic and geographic factors. We thought a comparison of Stanislaus to other Central Valley counties would be appropriate because they share similar economic and demographic qualities. Hence our entire Peer Counties group includes counties located within the Central Valley. Finally, at the end of the section we provide information about how Stanislaus compares with Sonoma County.

Peer Group Members

Several of the peer group counties are not actively rated by S&P or Moody's. According to Moody's, San Joaquin, Kings, Merced and Tulare are all A2; Stanislaus is rated A3, and the rest are unrated. And according to S&P, Stanislaus and Kern Counties' COPs are rated A; San Joaquin A-; and the rest are unrated. Appendix C provides details of other economic data as well as financial, debt and rating information for Stanislaus and each of the Peer Counties. Moody's: A2

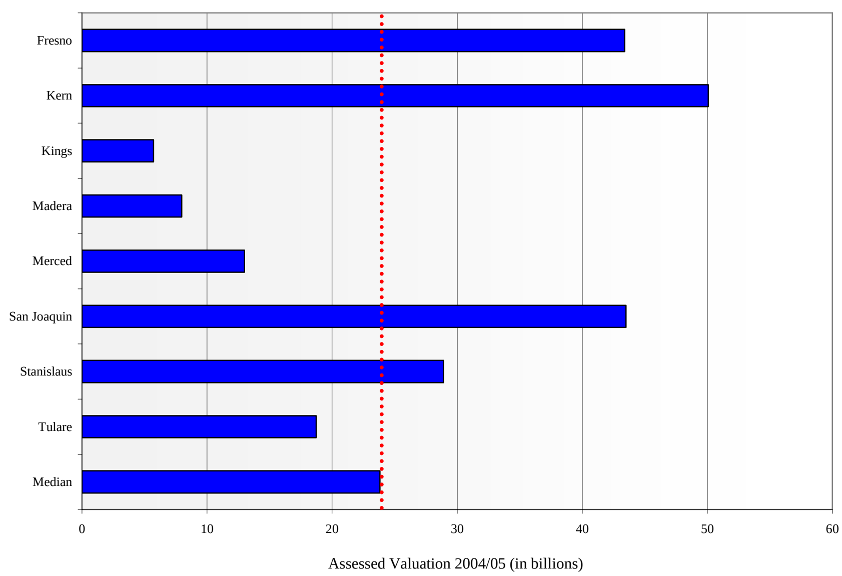
Seven counties, not counting Stanislaus, are included: **Tulare, San Joaquin, Merced, Madera, Kings, Kern and Fresno.** The population and assessed valuation for each of these counties along with the corresponding median is provided in Figure 37 and Figure 38. For both population and AV, Stanislaus County is very close to the median of the Peer County group.

Figure 37: Peer County Group Population (FY 2005)



Source: California Department of Finance, www.dof.ca.gov

Figure 38: Peer County Group Assessed Valuation (FY 2005)



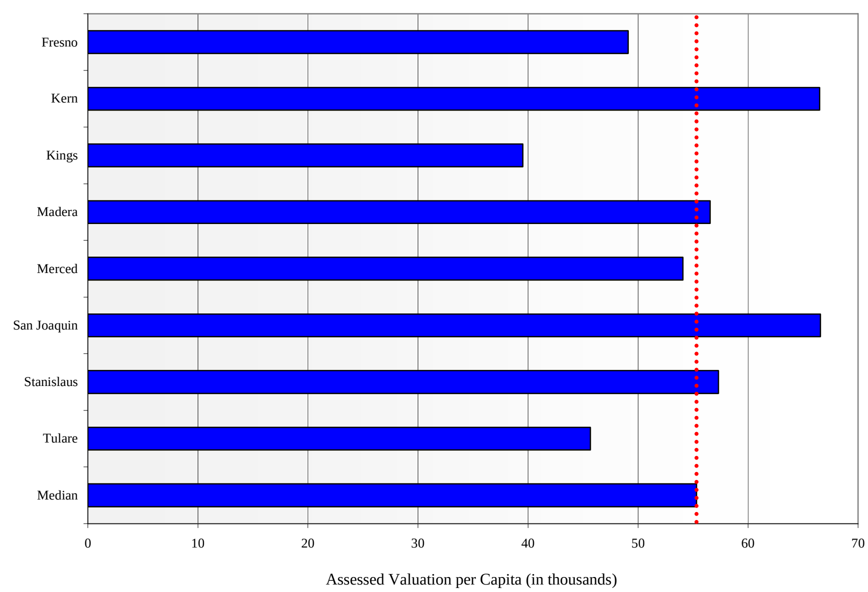
Source: County FY 2005 CAFR.

Economic Comparison

An economic comparison of Peer Counties is the most informative since the strength of the economic base of a county is the primary driver in establishing debt capacity (more information is provided in Section II of this report). Some of the most important economic indicators are measured by AV per Capita, the top 10 taxpayer concentration, and Median Family Effective Buying Income relative to the State and the Nation. Each ratio is described in more detail in Section II of this report.

Stanislaus County's AV per Capita ranks among the highest in its closest peer group. As can be seen in Figure 39, San Joaquin County had the highest AV per capita for FY 2005 ($66,572) and was followed by Kern County ($66,498) and Stanislaus ($57,296). The prevalence of oil in Kern, in addition to agriculture, is perhaps the most logical explanation for its high AV per capita in spite of an equally high county population count. The median AV per capita for the peer group was $55,317 and the minimum was $39,526 (Kings).

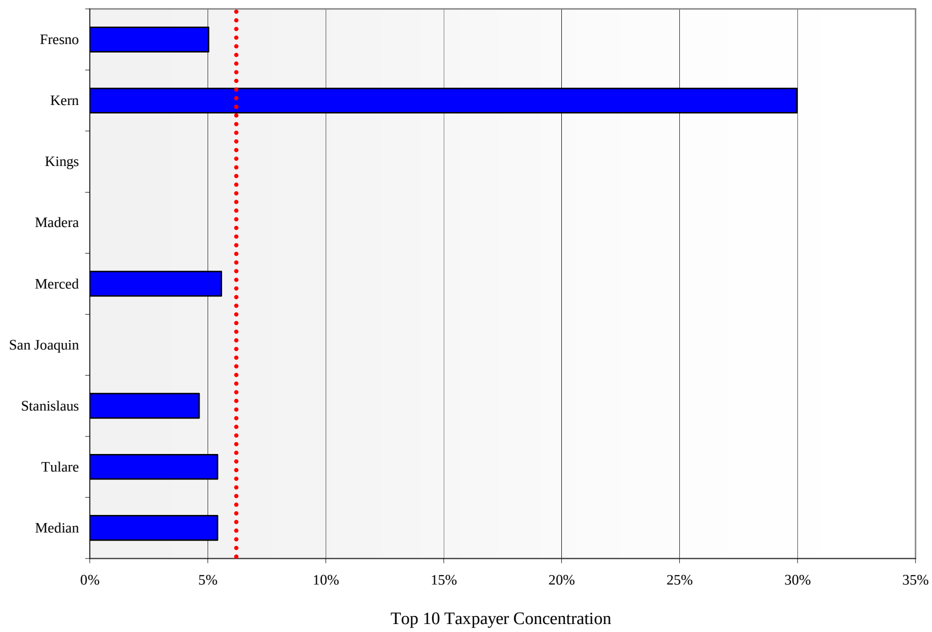
Figure 39: Assessed Valuation per Capita (FY 2005)



Source: Ratio is calculated.

Other than the high top 10 taxpayer concentration for Kern (30.0%) County, the Peer Counties group has a diverse taxpayer base. A lower top 10 taxpayer concentration is always preferred since it reflects greater resilience of the local jurisdiction in case of an unexpected financial blow to one or more of the principal taxpayers. Stanislaus County currently has the least concentrated tax base (4.6%), with Fresno County (5.03%) following second. The data for Kings County, Madera County and San Joaquin County was unavailable. The median value for the group, excluding missing data, was 4.8%. See Figure 40 for a graphic representation of the top 10 taxpayer concentration of the peer group.

Figure 40: Top 10 Taxpayer Concentration[84] (FY 2005)



Source: County FY 2005 CAFR.

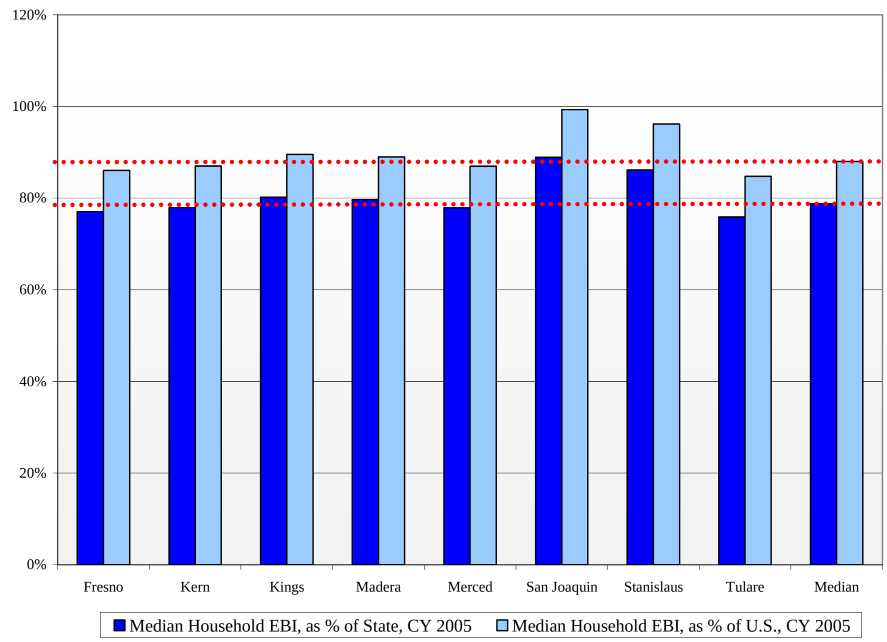
It is common knowledge that the median household effective buying income (EBI)[85] for California is higher than that of the country as a whole. Hence one would expect the median household EBI for California Central Valley counties as a percent of the US to be higher than as a % of the State. This is consistent with what we see in Figure 41 below.

San Joaquin County has the wealthiest populace with a FY 2005 median household EBI of just over $39,000. Stanislaus County follows closely with about $37,800 and the lowest median household EBI for the group was for Tulare at about $33,300. The US and State FY 2005 household EBI were at approximately $39,324 and $43,915 respectively. Hence, as a whole, all our peer group counties are less wealthy than the medians for both the US and the State. Figure 41 shows this relative data. The median ratios relative to the State and the country are 78.8% and 88.0% respectively. (Refer to Appendix C for more information).

[84] Madera County's Top 10 taxpayer concentration ratio was not reported in their FY 2005 CAFR. We derived it by dividing the total top 10 taxpayer levy by the final tax levy on secured and unsecured taxable property for FY 2003-2005.

[85] See Glossary in Appendix J for the definition of EBI. The terms median family EBI and median household EBI are interchangeable.

Figure 41: Median Household Effective Buying Income (FY 2005)



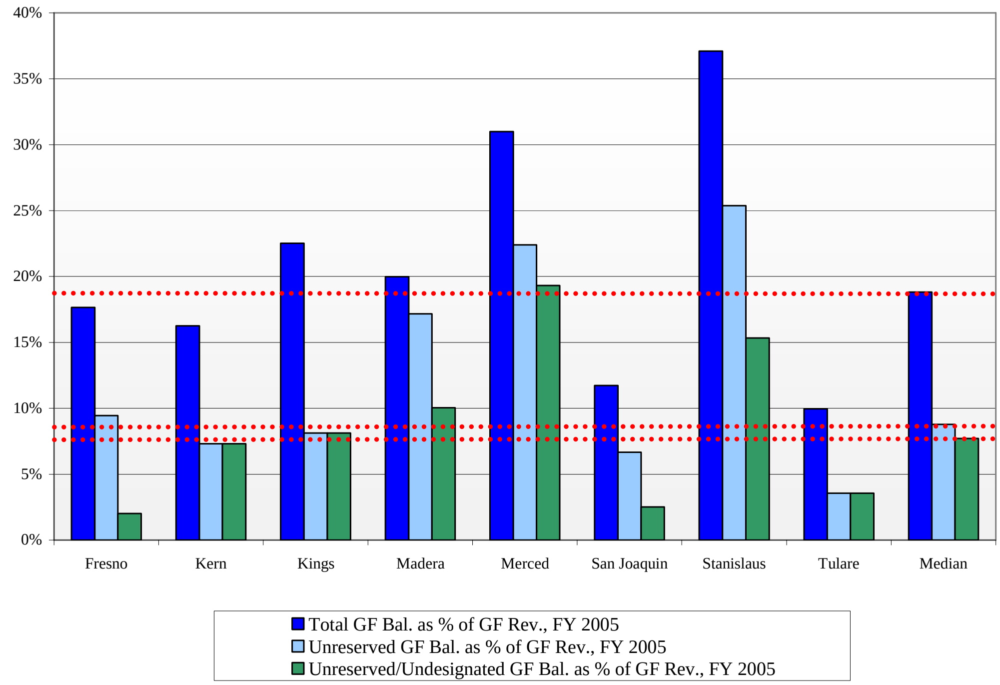
Source: Survey of Buying Power, Sales and Marketing Management Magazine 2005

Financial Comparison

We shall now look at the fund balances of all the peer group counties to glean information about Stanislaus County's financial health relative to its peers. Too low of a fund balance poses financial stress on a county's budget, particularly if it becomes a persistent trend. Too high of a balance, however, could also be evidence of an inefficiency in the county's use of resources and operations. Counties are generally advised to keep their total fund balance and unreserved fund balance in excess of 15% and 8% respectively, but this is no hard and fast rule.

Due to timing issues, we have included the FY 2005 unaudited figures for Kings County and the FY 2004 figures for Madera County.

Figure 42: GF Balances as % of GF Revenue (FY 2005)



Source: County FY 2005 CAFR.

For FY 2005, Stanislaus County had the highest total general fund balance as a percentage of general fund revenues (37.1%) and the highest unreserved fund balance as a percentage of general fund revenues (25.36%) in our peer group, hence the highest liquidity. The runner up for both percentages was Merced County at 31.0% and 22.4% respectively. Stanislaus total balance and unreserved fund balance were both higher than the group's medians of 18.8% and 8.8% respectively. Tulare County's balances were 10.0% and 3.6% respectively, the lowest for the group.

From Figure 42, the results were different with unreserved, undesignated GF balances. Merced leads with a FY 2005 19.3% balance, followed closely by Stanislaus (15.3%); Madera and Kings are not far behind. Stanislaus County's unreserved, undesignated GF balance actually leads far ahead of the group's median of 8.7%. It is interesting to observe that for several Counties, including Kern, Kings and Tulare, all their unreserved funds are undesignated. Information regarding the average balances for the peer Counties along with standard deviations is provided in Appendix C.

Debt Comparison

We run into several interesting quandaries when generating data for the debt and debt service ratios of the Peer Counties. First, capital lease obligations are considered part of a county's GF direct debt. However, since in general counties enter into minimal capital lease contracts, we decided to ignore them altogether for ease of comparison. Our assumption[86] was that capital lease obligations and payments were too small when compared to other sources of direct debt obligations and payments. Second, we decided to include notes payable whose maturity extended beyond one year and which formed a measurable portion of direct debt[87]. Finally, for Stanislaus County's 2004 Series A and Series B financing, we have excluded funds from the capitalized interest account.

Figure 43 depicts the debt burdens of all peer counties for FY 2005, with and without POB. Since all counties have pension obligations and yet some, such as Madera, have opted not to issue bonds to fund them or some have funded only a portion of this obligation, comparison of debt ratios with POB might be unfair.

As of the end of FY 2005, only Madera County did not have COP debt outstanding. However, we have elected to include the 2005 COP issue that Madera County issued in September of 2005 for our following analysis. We have included the par amounts for the debt ratios and have picked up the FY 2007 debt service payment for the debt service ratios. Similarly with Kings County, we have factored in the FY 2006 debt service payments on its 2005 COP into the following ratios for a more accurate representation of the County's debt service burden. For Kings the average annual debt service figure, excluding POB will be about $780.3k through FY 2028 and for Madera County the annual debt service figure, excluding POB will be about $1.67 million.

The range of debt per AV without POB is 0.09% (Fresno) to 0.42% (Stanislaus) with a median of 0.24%. The equivalent ratios with POB are 0.28% (Madera) to 1.36% (Fresno) range with a median of 0.55%. For FY 2005, Stanislaus had a debt burden, with and without POB, of 0.68% (above median) and 0.42% (above median).

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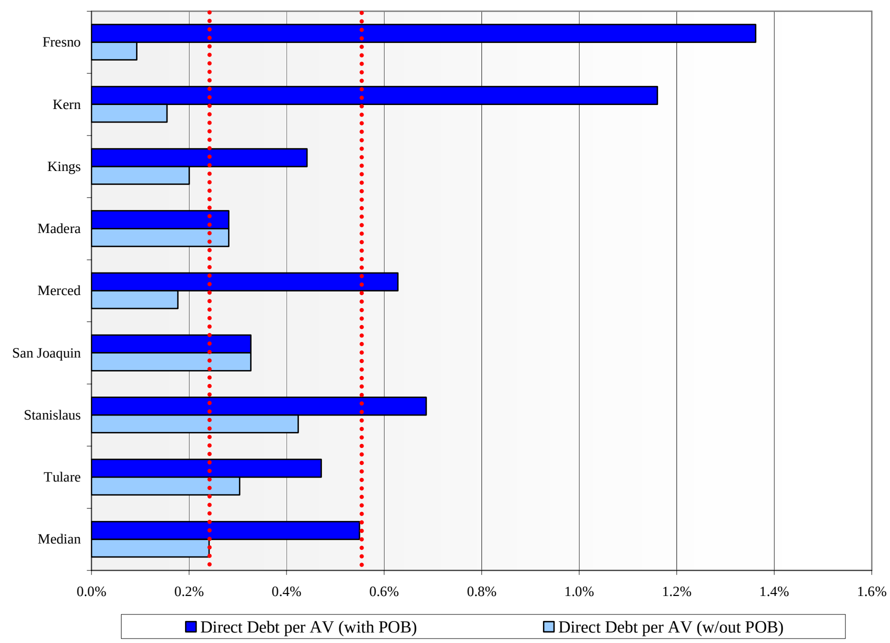
86 This assumption was verified for Stanislaus County and the data is provided in Section IV of this report.

87 We counted San Joaquin County's 10-year notes payable which formed about 5% of direct debt in 2005.

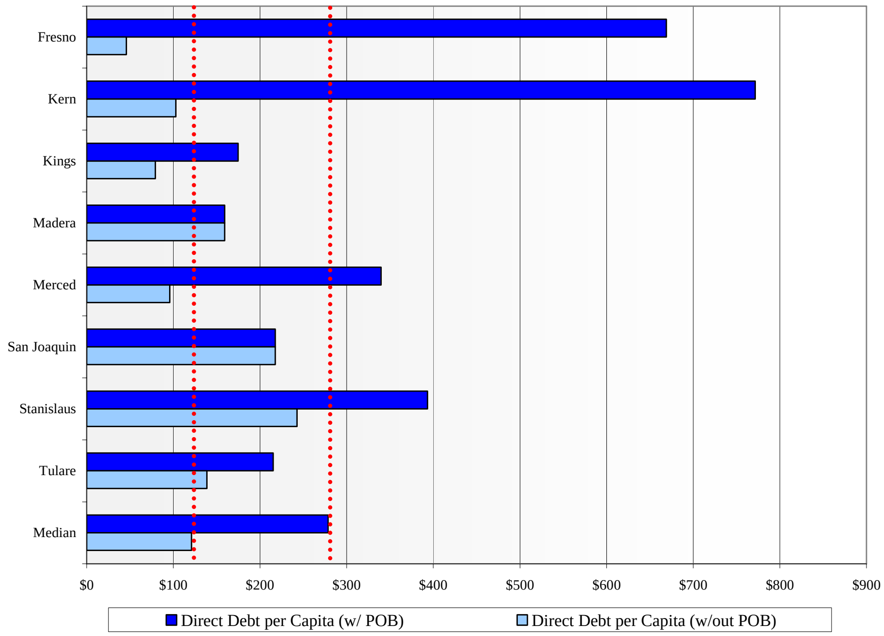
Figure 43: Direct Debt per AV (FY 2005)



Source: Ratio is calculated.

Direct debt per Capita data is presented in Figure 44. The trends are similar to those of Debt per AV. Fresno County with the highest 2005 population, has the lowest AV per capita (without POB) of all the peer group counties. Stanislaus County leads the peer group when not counting POB debt, and Kern County has the highest direct debt per capita when including POBs. Stanislaus County has debt per capita ratios, with and without POB, of $393 and $242 compared to peer medians of $278 and $120 respectively.

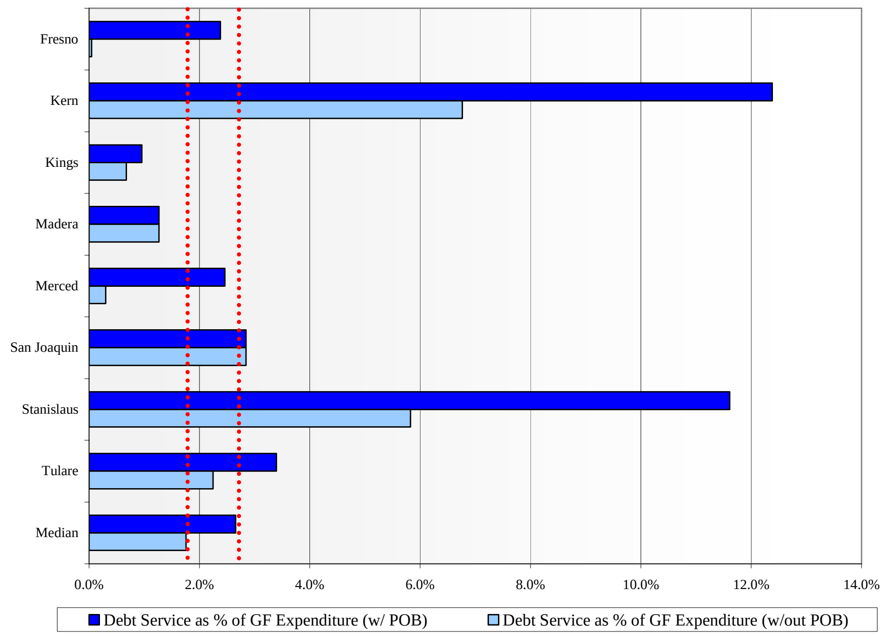
Figure 44: Direct Debt per Capita (FY 2005)



Source: Ratio is calculated.

With the second fastest POB repayment schedule (see Figure 45), Stanislaus tops the peer group in total direct debt service per GF expenditure. For FY 2005, Stanislaus County spent almost 11.6 cents on debt service per dollar of GF expenditure with POB; the median was about 2.7 cents.

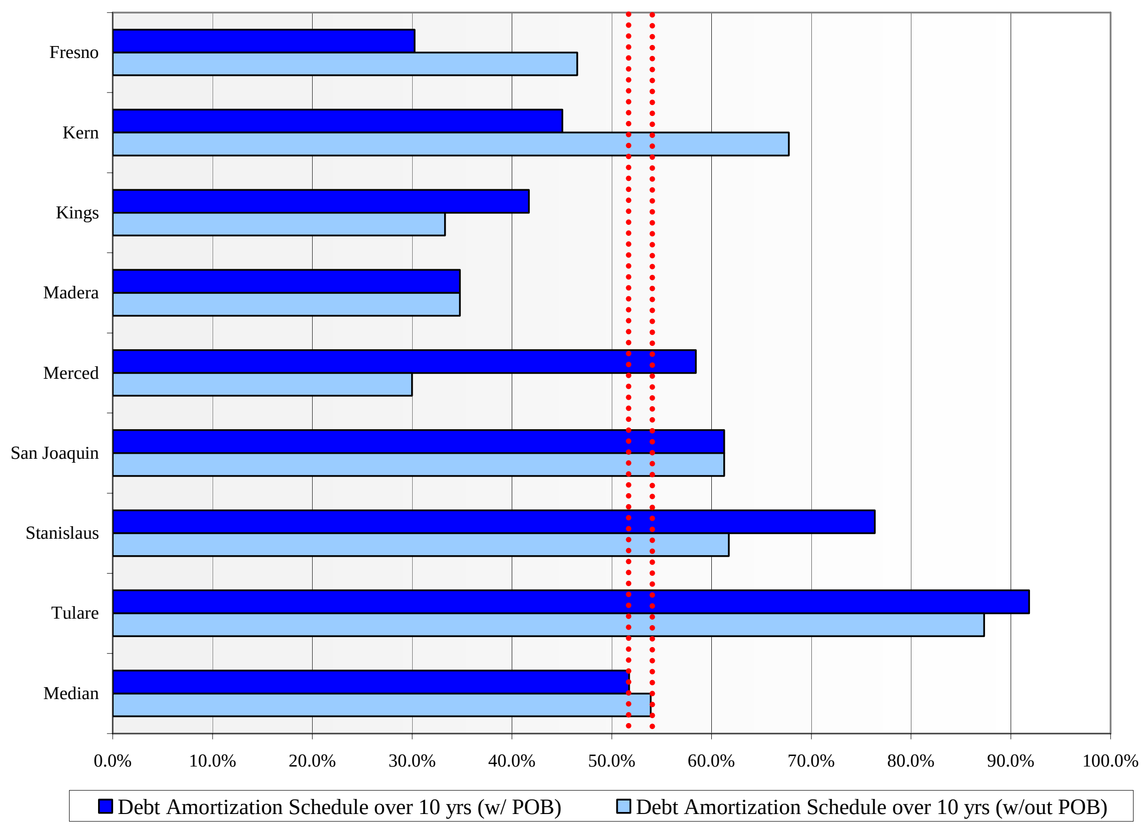
Figure 45: Direct Debt Service as % of GF Expenditure[1] (FY 2005)



[1] GF Expenditures are net of operating transfers.
Source: Ratio is calculated.

The 10-year debt amortization schedule associated with each county's COP and POB debt service is featured in Figure 46. The higher the percentage amortized over 10 years the more favorable the credit. Tulare tops in both categories: 91.8% with POB and 87.3% without. Stanislaus amortizes 76.4% of its total debt and 61.7% of COP debt in 10 years. The medians are 51.7% for total debt and 53.9% for COP debt.

Figure 46: Direct Debt Amortization over 10 years (FY 2005)



Source: Ratio is calculated.

How does Stanislaus County compare to Sonoma County?

Since Stanislaus County officials specifically asked us to include a comparison of the County to Sonoma, we have provided Table 22 below which lists the pertinent ratios of both Counties to allow for a quick comparison.

Table 22: Economic, Financial and Debt Ratios for Stanislaus and Sonoma Counties

Economic	Stanislaus	Sonoma
AV per Capita, FY 2005	$57,296	$109,683
Top 10 taxpayer conc., FY 2005	4.63%	3.54%
Per Capita EBI, 2005 CY	$14,702	$22,726
Per Capita EBI as % of State, 2005 CY	76.75%	123.24%
Per Capita EBI as % of U.S., 2005 CY	76.55%	121.77%
Median Household EBI, 2004 CY	$37,815	$49,445
Median Family EBI as % of State, 2004 CY	86.11%	115.19%
Median Family EBI as % of U.S., 2004 CY	96.16%	129.43%
Financial		
Tot. GF Bal as % of GF Rev, FY 2005	37.10%	52.47%
Unreserved GF Bal as % of GF Rev, FY 2005	25.36%	32.31%
Unreserved, Undesignated GF Bal as % of GF Rev, FY 2005	15.33%	19.93%
Debt		
Direct Debt per AV (with POB), FY 2005	0.69%	0.66%
Direct Net Debt per AV (w/out POB), FY 2005	0.42%	0.08%
Direct Debt per Capita (w/ POB), FY 2005	$393	$727
Direct Debt per Capita (w/out POB), FY 2005	$243	$86
Debt per Capita as % of Per Capita EBI (w/ POB), FY 2005	2.67%	3.20%
Debt per Capita as % of Per Capita EBI (w/out POB), FY 2005	1.65%	0.38%
Debt Service as % of GF Expenditure* (w/ POB), FY 2005	11.61%	6.44%
Debt Service as % of GF Expenditure* (w/out POB), FY 2005	5.83%	1.13%
Debt Amortization Schedule over 10 yrs (w/ POB), FY 2005	76.37%	55.26%
Debt Amortization Schedule over 10 yrs (w/out POB), FY 2005	61.73%	80.05%

* GF Expenditures are net of operating transfers.

Source: Ratios are calculated.

There is no question that Sonoma outperforms Stanislaus County in almost every respect from the ratios above. According to Moody's, Sonoma has a lease underlying rating of A1 whereas that of Stanislaus is A3. S&P rates the County's COPs AA- and A respectively. For FY 2005, Sonoma County's population was 478,440 reflecting an increase of only 0.73% from the previous year. The population of Stanislaus County grew by 1.9% for that same period to 504,482. With its higher population count as well as higher population growth rate, Stanislaus enjoys a lower total direct debt (including POB) per capita, not to mention the fact that Sonoma's outstanding POB principal as of FY 2005 was $311 million, about four times that of Stanislaus County's. It is therefore no surprise that Sonoma retires only about half of its total Direct Debt in 10 years whereas Stanislaus retires almost 80%.

With a gross assessed valuation of about $52 billion, Sonoma's debt burden for FY 2005 (without POB) is far lower than that of Stanislaus (0.08% versus 0.42%). Also, for this same reason, Sonoma's AV per Capita is almost twice that of Stanislaus as can be seen in Table 22. In general, Sonoma has much higher GF Balances and the county citizen's are much wealthier (as measured by effective buying income indices and Per capita income data) and hence capable of supporting a heavier debt burden although their total COP debt for FY 2005 was only $40.84 million compared to Stanislaus COP debt of $128.33 million. The 2005 calendar year unemployment rates (not seasonally adjusted) for Sonoma and Stanislaus Counties were 4.4% and 8.3% respectively.

Summary and Conclusion

It is evident from the above analysis that Stanislaus County compares favorably with its direct peers. In the economic and financial categories, Stanislaus has consistently more favorable indicators. The County's debt ratios are, however, on the high end of the Peer County group spectrum.

It is apparent that Stanislaus County's debt ratios without POB are generally higher than the median of it peer group. It appears that the peer group counties manage their debt issues and debt repayment very differently. Counties such as Kings tend to be overly conservative while others such as Kern are more aggressive. In all, Stanislaus County's debt ratios are reasonable particularly given the strength of its economic and financial base and its rapid debt amortization.

While this suggests caution, it is not alarming to us for several reasons. First, Central Valley counties have traditionally been conservative regarding debt issuance relative to other counties. Fresno County, for example, issued its first capital financing ever in 2004. This suggests either that Stanislaus' Central Valley peers either have paid for capital projects with pay-as-you go revenues or, more likely, that many capital needs have gone unmet. Second, Stanislaus County's economic and financial indicators suggest an ability to carry a heavier debt burden. Finally, Stanislaus County's debt indicators are still within the "moderate" range when compared to counties nationally.

In the next Section, we shall use Stanislaus County's existing debt ratios to predict additional debt capacity. According to S&P, "economic variables enjoy the closest correlation with rating categories…[since] the economic base provides the foundation for credit quality in tax-backed ratings."[88] We shall select AV and population as the key economic drivers in our analyses and use our overall findings so far in this report to draw relevant conclusions about the County's debt capacity.

[88] Research: Standard & Poor's, U.S. GO rating Distributions And Summary Ratios, May 18, 2005.

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Section VI

SENSITIVITY ANALYSIS

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SENSITIVITY ANALYSIS

Purpose

This section is perhaps the most crucial in assessing how future financings could impact the County's current credit rating and market acceptance. According to S&P, "Means and medians reflect recent historical information, while credit ratings are forward looking."[89] Sensitivity analysis involves forecasting data and evaluating whether the County is reasonably expected to have the additional economic and financial resources in the future to support more debt.

It should be remembered that there are no hard-and-fast rules that govern how much debt a county can bear.[90] However, prudent financial and debt management recommends certain limits beyond which there will potentially be too much strain on the County's budget and financial resources or the resources of its taxpayers. We attempt to identify such threshold values by analyzing median ratios and benchmark values reported by rating agencies under a variety of different scenarios. Excessive deviations from these values could hurt the County's credit rating and increase its cost of borrowing.

Arriving at potential future capacity values requires making certain key assumptions about how the major drivers of "capacity" are likely to change in the future. The validity of such assumptions will determine what the true debt capacity of the County can be expected to be. Therefore, we believe it is important for the County to update this analysis as new data becomes available. For ease of updating, we have developed a Debt Affordability Model for the County (see Appendix K), which we believe should be updated annually and before new debt issuances.

Methodology

In previous sections, several key economic, financial and debt ratios have been presented. The general inference that can be drawn from Stanislaus County's economic and financial ratios is that the County has strength in its economic base and a sound financial base capable of supporting additional debt. The evidence of this is seen in how the County's ratios compare to those of its peers and the median values reported by the major rating agencies (see Appendix C & E for more details). At the same time, there are limits to the amount of additional debt that should reasonably be incurred.

Below we attempt to quantify dollar ranges for the County's debt capacity by focusing on three key ratios: debt per capita, debt per AV and debt service per General Fund

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[89] Standard & Poor's Ratings Direct, Research: U.S. GO Rating Distributions And Summary Ratios, May 2005.

[90] The legal debt limit set by Section 29909 of California Government code limits the General Obligation Bond indebtedness of the County to 1.25% of the total assessed value which was $361 million for Stanislaus County for FY ending June 30, 2004.

expenditure. For the third ratio, we examine total debt service as well as debt service net of offsetting revenues (net debt service or net county cost). We then project future debt capacity using S&P median values for "A" rated counties with populations in excess of 150,000 and, where available, Moody's medians for "A" rated counties.

Though rating agencies tend to consider debt ratios both with and without Pension Obligation Bond debt, the published medians and benchmark ranges exclude POB debt for discussed previously. Therefore our sensitivity analysis excludes POB from consideration.

Though there are other important debt ratios that could be considered, we believe that these three provide an excellent starting point from which to establish ranges of potential debt capacity. The results must then be evaluated in light of the County's economic and financial indicators as well as other debt indicators, particularly those that focus on overlapping debt.

We would like to highlight again that forecasts of debt capacity based on rating agency and market indicators do not address the budgetary tradeoffs and policy choices necessary to support additional debt. Additional debt comes at a price including, but not limited to, a dedication of future County revenues, a pledge of the issuer's taxing power and/or a potential decrease in financial flexibility.

Direct Debt per Capita

To project debt capacity using this ratio we have relied on the California Department of Finance (DOF) population forecasts for the County. Using this data and a simple linear regression model, we interpolated the expected population for Stanislaus County for each year through 2050 (a selection of the data is presented in Table 23 below). Additional details of the regression output along with a portion of the statistical data are presented in Appendix H. The R-square[91] value associated with our population regression was 0.98.

The table below summarizes population projections for the County from FY 2007 through 2011 and the additional general fund debt (COP) amounts projected based on the S&P Median value for debt per capita of $266.

[91] R-square value is also called the coefficient of variation. Its value ranges from 0 to 1 and the closer it is to 1, the better the fit. An R square value of 0.99 means that the fit explains 99% of the total variation in the data about the average.

Table 23: Additional Debt Capacity Based on Debt Per Capita Ratios*

FY Ending June 30	Projected Population	S&P 2005 A-rated Counties Benchmark ($266)
2007	521,691	$30,399,761
2008	531,473	$41,356,692
2009	541,254	$51,228,624
2010	551,036	$61,405,555
2011	560,818	$71,907,486

*Population data beyond 2005 is projected; see Section IV p. 55 – 59 for debt ratios and Appendix E for Moody's and S&P's median benchmark values.

This analysis suggests that Stanislaus could incur approximately $72 million of additional debt in FY 2011 and remain at the S&P Benchmark for Debt per Capita. Note that for all of the tables below, the debt capacity figures are not cumulative. In other words, the Debt Per Capita ratio shows additional capacity of $71.9 million in FY 2011 only to the extent the County issues no additional debt between FY 2007 and FY 2010.

Direct Debt per Assessed Value

Because assessed valuations in California in general and specifically in Stanislaus County have grown at exponential rates in recent years, using a simple regression model to project AV values was not an appropriate methodology. Therefore, we projected the AV for FY 2007 through FY 2009 (a 3-year period) using the 15-year historical average growth rate in AV of 6.7%. Then, in order to be very conservative, we elected to use a growth rate of 3% for FY 2010 through 2050. The selection of 3% was arbitrary; we felt it was a good estimation for the inflation rate which AV growth rates have historically matched or exceeded.

Table 24 projects significant debt capacity for Stanislaus County through FY 2011 based on rating agency medians for Debt per AV. For instance, if the County chose to target the lower Moody's debt burden (debt per AV) ratio, and did not issue additional debt in the intervening years, by 2009, the County will have additional capacity in excess of $100 million based on this one indicator.

Table 24: Additional Debt Capacity Based on Debt Per AV Ratios*

FY Ending June 30	Projected AV ($B)	Moody's 2005 A-Rated Counties (0.50)	S&P 2006 A-rated Counties Benchmark (0.60)
2007	$35.46	$68,939,938	$104,401,925
2008	$37.84	$89,199,185	$127,042,022
2009	$40.38	$109,172,660	$149,556,192
2010	$41.60	$122,805,190	$164,400,228
2011	$42.84	$136,944,446	$179,787,335

*AV data beyond FY 2006 is projected; see Section IV p. 55 – 59 for debt ratios and Appendix E for Moody's and S&P median benchmark values.

We have also run scenarios based upon a more conservative 3.00% growth in the underlying assessed valuation throughout FY 2011. As you can see, the overall debt capacity levels remain significant even at the lower AV growth rate.

Table 25: Additional Debt Capacity Based on Debt Per AV Ratios*

FY Ending June 30	Projected AV ($B)	Moody's 2005 A-Rated Counties (0.50)	S&P 2006 A-rated Counties Benchmark (0.60)
2007	$33.23	$62,769,275	$96,997,130
2008	$34.23	$76,258,453	$111,513,144
2009	$35.25	$88,816,657	$125,128,988
2010	$36.31	$101,838,506	$139,240,208
2011	$37.40	$115,348,762	$153,872,514

*AV data beyond FY 2006 is projected; see Section IV p. 55 – 59 for debt ratios and Appendix E for Moody's and S&P median benchmark values.

Direct Debt Service per GF Expenditure

The County's GF expenditure (net of transfers) was projected with a linear regression model with an R square value of 0.97. The projected GF expenditure values are displayed in Table 26 below (data through FY 2050 is shown in Appendix E).

The S&P benchmark of 6.5% predicts an annual debt service capacity for Stanislaus County from FY 2005 to FY 2010 ranging from $1.17 million to $5.18 million. These numbers represent additional *debt service* capacity for the given FY, not additional bond par amounts. We then solved for additional par amounts, given the debt service restraint of each fiscal year.[92]

Table 26: Additional Annual Debt Service Capacity Based on DS Per GF Expenditure*

FY Ending June 30	Projected GF Expenditure	S&P 2006 A-rated Counties Benchmark (6.5%)	Additional Debt Capacity
2007	$222,054,315	$1,172,451	$16,970,000
2008	$231,802,304	$1,822,660	$26,405,000
2009	$241,550,293	$3,903,844	$56,595,000
2010	$251,298,282	$4,543,653	$65,875,000
2011	$261,046,271	$5,185,364	$75,185,000

*GF Expenditure data beyond FY 2005 is projected. GF Expenditures are net of operating transfers.

Net Direct Debt Service per GF Expenditure

We also examined the County's debt capacity based on net direct debt service per GF expenditure, accounting for the various offsetting revenues available to Stanislaus County (see discussion in Section IV for a detailed breakdown of offsetting revenues).

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[92] The assumptions for the bond numbers are as follows: (i) prevailing California insured interest rates as of March 15, 2006 plus 50 basis points; (ii) 25-year debt amortization; (iii) 2 years of capitalized interest; and (iv) a reserve and project fund and typical values for cost of issuance.

By reducing the County's current annual debt service obligation by the amount of annual offsetting revenues, the County's ability to carry additional amounts of debt service per year increased. Using this approach, the S&P benchmark predicts an average annual debt service capacity for Stanislaus County from FY 2005 to FY 2010 to be $7.3 million.

Table 27: Additional Annual Debt Service Capacity Based on Net DS Per GF Expenditure*

FY Ending June 30	Projected GF Expenditure	S&P 2006 A-rated Counties Benchmark (6.5%)	Additional Debt Capacity
2007	$222,054,315	$6,026,434	$87,395,000
2008	$231,802,304	$6,676,643	$96,820,000
2009	$241,550,293	$8,757,827	$127,015,000
2010	$251,298,282	$9,397,636	$136,290,000
2011	$261,046,271	$10,039,347	$145,600,000

*GF Expenditure data beyond FY 2005 is projected. GF Expenditures are net of operating transfers.

As before, the numbers in Table 27 represent additional *debt service* capacity for the given FY, not additional par amounts. We again ran the numbers to solve for additional par amounts given each fiscal year's constraint using the same bond assumptions as above.

However, the extent to which the rating agencies will give credit for offsetting revenues depends upon a number of different factors, including the reliability of the revenue stream and the way in which the revenue stream has been pledged to repayment of the debt (i.e., legally pledged in bond documents, internally pledged by Board action or MOU, or internally pledged by past practice, etc.)

We believe it is probably appropriate to assume some but not full credit for the County's currently identified offsetting revenues.

Summary and Conclusion

The table below summarizes the additional general fund debt (COP) amounts projected for fiscal years 2007 through 2011 based on the S&P median values for three key ratios using what we believe to be reasonable assumptions about growth in AV, population and expenditures. Please note again that the figures presented below are <u>not</u> cumulative. Also, capacity for self-supporting or enterprise fund debt would be in addition to these amounts.

Table 28: Projected Stanislaus County Debt Capacity Based on S&P Medians[93]

Year	Debt Per Capita[1]	Debt Per AV (Historical Growth)[2]	Debt Per AV (3.00% Growth)[3]	DS Per GF Expenditures[4]	Net DS Per GF Expenditures [5]
2007	$30,399,761	$104,401,925	$96,997,130	$16,970,000	$87,395,000
2008	$41,356,692	$127,042,022	$111,513,144	$26,405,000	$96,820,000
2009	$51,228,624	$149,556,192	$125,128,988	$56,595,000	$127,015,000
2010	$61,405,555	$164,400,228	$139,240,208	$65,875,000	$136,290,000
2011	$71,907,486	$179,787,335	$153,872,514	$75,185,000	$145,600,000

[1] Debt per capita capacity calculated using $266 ratio.

[2, 3] Debt per AV calculated using 0.60% ratio.

[4, 5] General Fund Expenditures are net of Transfers In and Transfers Out, calculated at 6.50% ratio.

The results indicate a wide range of debt capacity values in each year based on the different ratios. No single ratio should be relied upon as determinative of debt capacity; rather, the results must be considered in total and then reviewed further in light of the economic, financial and other debt indicators discussed previously. Moreover, debt capacity figures based on national rating agency medians are intended only to be indicative of "moderate" debt levels for comparably rated counties. There will of course be circumstances where higher amounts of debt could reasonably be incurred by Stanislaus and, conversely, circumstances where lower amounts represent the reasonable limit.

We note that the rating agencies, S&P in particular, generally rely more heavily on the Debt per Capita and Debt per AV ratios in their analysis while the County might be more concerned about debt service as a percentage of GF Expenditures in determining its budgetary capacity for additional debt.

Based on the above analysis, we project additional debt capacity of between $71.9 million and $179.8 million over the next five years for Stanislaus County. At a minimum, we believe the County could safely incur the additional debt levels projected using the more conservative Debt Per Capita ratio, in light of the County's current economic and financial trends. This would suggest additional capacity of approximately $72 million over the next five years. The County's aggressive amortization schedule of existing debt contributes to additional capacity each year.

Further, we believe that the County might reasonably be in a position to incur higher additional debt levels than these, if desired, but only to the extent that the County: (i) continues to maintain strong general fund balances and reserves, including the reserve of one year's outstanding COP debt service, (ii) continues to experience revenue growth as projected and structural budgetary balance, and (iii) continues to receive the offsetting revenues used to pay existing COP debt service.

Precisely how much additional debt the County can reasonably incur above these levels in future years is difficult to quantify. For example, the County's lower wealth and

[93] Source: Standard & Poor's U.S. GO Rating Distributions And Summary Ratios, March 2006.

income levels, in combination with its higher overlapping debt ratios are limiting factors, and suggest to us that the County should <u>not</u> incur additional debt over the next five years at the highest levels of the ranges projected in the table above – i.e., based on the debt per AV projections. To the extent the County seeks to incur additional indebtedness above these levels, we recommend reconsideration of the debt ratios and debt affordability model at that time based on more current financial data.

Finally, we offer a reminder that the County has significant resources available in its Tobacco Bond endowment fund, which could be used to fund capital projects in lieu of incurring additional debt. As we discuss further in the following section, "Final Comments and Recommendations," the County should consider the most optimal use of these funds in conjunction with decisions about additional debt.

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Section VII

FINAL COMMENTS & RECOMMENDATIONS

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COMMENTS AND RECOMMENDATIONS

In general, higher rated counties have broader tax bases, more diverse economies and higher reserve levels.[94] With some predictability to county revenues resulting from Proposition 1A, together with a generally improving State economy and State budget, Stanislaus County now has an opportunity to strengthen and, over the long term, improve its credit position.

The following are comments and recommendations about ways in which Stanislaus County can maintain and/or improve its credit worthiness and debt capacity. These comments and recommendations focus on: (i) maintaining budgetary structural balance while continuing to fund reserves; (ii) promoting economic diversity; and (iii) formalizing prudent debt management practices. They generally reinforce one another and are the building blocks of a sound, long-term strategy for improving creditworthiness.

1. **Political Will -- Continue Making Tough Decisions to Balance Budgets and Maintain Reserve Levels.** The County has consistently demonstrated the political will to make difficult budgetary and financial decisions when necessary to balance budgets and maintain reserve levels – and this is one of the County's greatest credit strengths. Examples of the County's prudent and sound financial management include: (i) refusing to backfill with County General Fund monies recent State budget cuts in social service programs; (ii) continuing to fund a designation equivalent to one year's outstanding COP debt service despite a downturn in the economy and a series of difficult budgets; and (iii) maintaining a high funding ratio in the County's retirement system when most other counties are experiencing dramatically increasing unfunded pension liabilities.

   Because the County is limited in its ability to raise revenues and because mandated programs are not always fully funded by the State, it is essential that County management continue to exert control over expenditures. Areas of particular concern currently for all counties in California include rising employee costs, such as health care and pension costs, as well as expenditure on public safety and indigent care. Maintaining budgetary structural balance in the face of rising costs without excessive reliance on reserves will be essential to maintaining high credit ratings.

   According to Standard & Poor's in a recent Research Paper regarding California Counties, "Key to maintaining credit quality, however, will be informed decision-making based on sound financial management rather than political expedience. For example, spending reductions and tough bargaining with labor units will almost always be received favorably in rating committees, while

[94] See "California Counties Maintain Credit Quality Despite Limited Flexibility," Standard & Poor's Research Paper, November 29, 2005.

enhanced benefits for public employees will likely be viewed as unsustainable give current funding realities and demographic trends."[95]

In addition to managing labor and pension costs, one area of urgent priority for the County should be to take specific steps to combat any future structural imbalance in the Health Services Agency to the extent possible.

2. **Promote Economic Diversity.** While the County has enjoyed revenue growth the past several years, this has come in large part from growth in its secured tax base rather than from growth and diversity in the County's economic base. Though the County can expect some amount of future growth in Assessed Valuation, particularly if Stanislaus County continues to serve as a bedroom community for the Bay Area, most economists predict a cooling of home prices in the State and reduction in the rate of growth for Assessed Valuation. Therefore, growth and diversity in the local economy will be key ingredients to ensuring future revenue growth.

3. **Financing Capital Projects**

a. **Set Aside Funds In Good Years.** To the extent possible, the County should set aside funds for future capital projects during years of strong revenues or significant increases in fund balances. By accumulating cash reserves, the County will be better prepared to address the funding needs for the future capital projects contemplated in the Capital Improvement Plan with less reliance on debt financing.

b. **Identify Self-Supporting Revenues.** To the extent possible, the County should seek to identify internal or dedicated revenue sources to pay debt service for capital projects. Such sources might include a special sales tax (i.e., for Library use), public facility fees, courthouse construction or civil assessments for criminal justice facilities, etc. Where such sources are available, the County should consider specifically pledging such sources of revenue towards repayment of debt, either in conjunction with a General Fund pledge or not. To the extent that the pledged source of revenue is deemed a "special fund," then such bonds may be issued under the "special fund" exception to the constitutional debt limit (rather than the "lease" or "contingent obligation" exception) and would not be subject to abatement. Either way, a pledge of dedicated revenues would add to the credit worthiness of the bond issue. Debt obligations secured entirely by self-supporting revenue sources may not be credited against the County's debt ratios and will thereby preserve the County's "debt capacity".

[95] "California Counties Maintain Credit Quality Despite Limited Flexibility," Standard & Poor's Research Paper, November 29, 2005.

c. **Evaluate Potential for Voter Approved Debt.** Though it is generally difficult for Counties to achieve the two-thirds voter approval required for the issuance of general obligation bonds or sales tax revenue bonds, Stanislaus County should consider whether such opportunities might exist in the future. While debt supported by voter approved bonds would be counted by the rating agencies when considering debt ratios based on overlapping debt, it would be not be counted in direct debt ratios, preserving County General Fund debt capacity. Stanislaus and Fresno counties have both previously been successful in securing voter-approval of sales taxes to support library operations and might consider similar taxes to support bonding for library facilities. Many counties, through their association or council of governments, have succeeded in establishing transportation authorities and securing voter approval for sales taxes to support bonding for countywide transportation projects – San Joaquin, Fresno and Sonoma are among such counties. We note that Stanislaus, Merced and Kern have all developed initiatives that are expected to brought for voter-approval in the next two years.

d. **Evaluate Appropriate Mix of Debt and Cash.** Where the County has funds on hand to contribute towards a capital project, the County and its financial advisor should evaluate the most economic mix of cash or pay-go financing and debt. This analysis should take into account interest earnings on existing cash, interest cost on capital market debt and other appropriate considerations. The analysis should then be the basis of a plan of finance for the capital financing.

e. **Evaluate Use of Tobacco Securitization Endowment Funds.** The County derived $52.4 million from the 2002 tobacco securitization bond issue plus $42.2 million of additional proceeds from the County's 2006 Subordinate Lien Tobacco Bonds. The proceeds of these financings are currently invested in non-AMT municipal bonds by the County in two separate Tobacco Bond Endowment Funds, which generate annual interest income. The "corpus" of the endowments can only be expended upon capital projects until there is de-allocation under the universal cap – in other words, until such time as the principal outstanding amount of the 2002 and 2005 Tobacco Bonds is less than the amount in each respective endowment. Assuming no de-allocation of these funds, the County could use portions of them to defray costs associated with new capital projects rather than incur additional debt for capital projects. This might not be an easy decision to make since the endowment funds are generating a steady source of revenue. However, an economic analysis can be conducted evaluating the cost of new capital projects as compared to the potential earnings from the endowment.

f. **Consider Opportunities for Public or Private Partnerships.** The County has had considerable success in the past in developing public and private partnerships to assist in financing projects. Examples of past partnerships include the Gallo Center for the Arts, 12th Street Office Building and Parking

Garage and the 10th Street County-City Administration Building. Continued pursuit of partnerships will allow the County to maximize debt capacity.

4. **Debt Management.** At the present time, the County has several debt management policies that are deemed very favorable by market participants. These include:

a. A Debt Advisory Committee comprised of representatives from the offices of the County Executive, Auditor-Controller, Treasurer-Tax Collector, County Counsel, Public Works and Planning Departments. The DAC meets regularly to review and discuss the County's outstanding debt obligations and potential new issuances and provides a key element of accountability to the County's financing program.

b. The County retains independent financing team members, including Financial Advisor, Bond Counsel and Disclosure Counsel, each with specialized expertise in California County finance.

c. The County prepares a comprehensive Capital Improvement Program that lists the County's imminent capital needs along with the estimated financing needs and sources. This is a critical planning tool which, used in conjunction with Debt Capacity Reports, can assist policy makers in prioritizing capital needs and developing a Plan of Finance.

d. A standing commitment to allow independent and unbiased auditors and market participants to scrutinize the County's finances. The County's audited financial reports and this current report are clear evidence of this.

e. The County maintains a reserve designation equivalent to one year's of the County's outstanding COP debt service (as discussed above).

f. The County has a past practice of refunding higher interest debt to achieve budgetary savings.

g. The County has a past practice of meeting directly with key rating analysts and institutional investors to educate these critical market participants about County credit characteristics, including management, financial performance and changes in the economics and demographics of the County.

Going forward, we recommend consideration of the following additional prudent debt management practices:

a. **Formalize Program for Municipal Finance Educational Workshops for Board Members and Staff.** Educational workshops can ensure that policy makers have the necessary information and expertise to ask critical questions about financing proposals, to fully understand the risks and benefits of public financing and to make informed policy decisions.

b. **Updates to this Debt Capacity Report** should be prepared by staff or by your Financial Advisor periodically, even when the County is not anticipating debt issues. Updates can focus on the core numerical information (i.e., economic, debt and financial ratios) as set forth in the Debt Affordability Model. Updating the core numerical information is typically straight forward and can be done at any time. Depending on the client, the core numerical information can be analyzed only at the time of bond offerings or as frequently as every six months. A full update of the Debt Capacity report is recommended every 3 to 5 years, similar to most strategic plans.

c. **Adoption of Debt and Debt Affordability Policies** should be considered. Debt policies can address issues such as:

- Maximum tolerance limits for the County's Debt Level
- Educational Programs for County Officials, Staff and Public
- Balance of "Pay-as-you-go" and Debt Financing[96]
- Availability of Alternative Financing Vehicles
- Feasibility/Debt Capacity Reviews
- Debt Structure, Repayment and Security Provisions
- Credit Enhancement/Supplemental Security Features
- Requirements for Original Issue and Continuing Disclosure
- Conditions Precedent to Sale of Bonds
- Method(s) of Bond Sales
- Bond Pricing Parameters
- Conditions and Procedures for Refunding, Call or Defeasance

d. **Develop Formal Program to Ensure Compliance with Rule 15c2-12's Disclosure Provisions for Municipal Issuers.** With the emergence of several disclosure abuses in the pubic finance sector, disclosure has become a key issue in the bond market. The County has disclosure responsibilities under the securities laws at the time debt is issued and it has continuing disclosure responsibilities for so long as debt is outstanding an unpaid. With each new

[96] Rating agencies have recently emphasized the positive view they attach to pay-as-you-go financings. In a recent teleconference with Fitch on debt affordability guidelines and their impact on credit ratings (July 13, 2005), the analysts emphasized the importance of a good balance between pay-as-you-go programs and debt financing. According to Standard & Poor's, "Discretionary spending, such as pay-as-you-go capital, is evidence of operating flexibility" (Standard & Poor's Public Finance Criteria 2003, p. 42).

County bond issue that is sold into the marketplace, the County has a binding agreement to inform the investing public of future material changes within the County. The County generally has done an outstanding job complying with these requirements and might consider formalizing the responsibility within the County for ensuring full and complete disclosure. In order to ensure compliance and to speak with a unified voice, the County needs to establish:

- Which departments or individuals are best-positioned to possess the information in case of a "material event"
- What existing information sources and County publications can be used or adapted to meet the purposes of the Rule
- Whether centralized or widely shared, who among County Staff will communicate with market participants—in what capacities and in what circumstances will a specific staff member play an active role.
- How the County will track and evaluate its continuing disclosure communications and compliance efforts

We also recommend that the County formalize the practice of conducting due diligence sessions in advance of the publication of any Official Statement. Ideally, participants would include representatives from all relevant County departments, including the Executive, Auditor-Controller, Treasurer-Tax Collector, and County Counsel.

e. **Expand Investor Outreach Efforts.** A formalized Investor Outreach Program can help stimulate demand for County financings, which translates into lower interest rates. This program should include: (i) tracking the key institutional purchasers of the County's debt financings; and (ii) periodic meetings and conference calls with key institutional purchasers of municipal bonds to educate the investor community and distinguish the County's credit strengths. Such meetings and conference calls should be conducted in advance of County financings, following key credit events at the County and periodically even when the County has no financing coming to market.

5. **Formalize Program to Publicize the County's Financing Program Successes.** The County's prudent debt management practices and financing successes are among its strengths that need to reach the marketplace. This can be accomplished through several means, including:

- Expansion of the County's normal media database to include targeted financial press and electronic outlets;
- Development of "turnkey" press releases, articles and "op-ed" pieces following financings or financing program successes;

- Provision of electronic access to key public relations documents;
- Display of such successes on the County's home page.

The preceding comments and recommendations are aimed at helping the County to reinforce/improve its credit rating in the long-term. As these recommendations are implemented, the County will be in a position to strengthen its finances and reputation in the capital markets.

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Section VIII

APPENDIX

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APPENDIX A

Stanislaus County Debt Profile as of June 30, 2005

FY ending June 30	1992 Series B COP (Jail)			1995 COP (Refund Part of 1989)			POB 1995			1996 COP (Refund Rest of 1989)			1997 Series A COP (Ag. and Police)		
	Principal	Interest	P&I	Principal	Interest	P&I	Principal	Interest	P&I	Principal	Interest	P&I	Principal	Interest	P&I
2005*	$580,000	$34,075	$614,075	$1,185,000	$251,635	$1,436,635	$5,795,000	$5,633,306	$11,428,306	$2,125,000	$2,165,950	$4,290,950	$520,000	$532,936	$1,052,936
2006				$1,245,000	$194,755	$1,439,755	$6,225,000	$5,203,591	$11,428,591	$2,225,000	$2,061,826	$4,286,826	$540,000	$506,416	$1,046,416
2007				$1,305,000	$133,750	$1,438,750	$6,690,000	$4,741,880	$11,431,880	$2,350,000	$1,939,450	$4,289,450	$575,000	$478,336	$1,053,336
2008				$1,370,000	$68,500	$1,438,500	$7,185,000	$4,245,849	$11,430,849	$2,465,000	$1,821,950	$4,286,950	$600,000	$447,862	$1,047,862
2009							$7,720,000	$3,712,995	$11,432,995	$2,590,000	$1,698,700	$4,288,700	$630,000	$415,462	$1,045,462
2010							$8,290,000	$3,140,638	$11,430,638	$2,720,000	$1,569,200	$4,289,200	$665,000	$380,812	$1,045,812
2011							$8,905,000	$2,525,916	$11,430,916	$2,855,000	$1,433,200	$4,288,200	$705,000	$343,572	$1,048,572
2012							$9,565,000	$1,865,614	$11,430,614	$2,995,000	$1,290,450	$4,285,450	$745,000	$303,916	$1,048,916
2013							$10,275,000	$1,156,334	$11,431,334	$3,155,000	$1,133,212	$4,288,212	$785,000	$261,450	$1,046,450
2014							$11,035,000	$394,501	$11,429,501	$3,320,000	$967,575	$4,287,575	$835,000	$216,312	$1,051,312
2015										$3,490,000	$793,275	$4,283,275	$880,000	$168,300	$1,048,300
2016										$3,675,000	$610,050	$4,285,050	$935,000	$115,500	$1,050,500
2017										$3,870,000	$417,112	$4,287,112	$990,000	$59,400	$1,049,400
2018										$4,075,000	$213,938	$4,288,938			
2019															
2020															
2021															
2022															
2023															
2024															
2025															
2026															
SUM	$ 580,000	$ 34,075	$ 614,075	$ 5,105,000	$ 648,640	$ 5,753,640	$ 81,685,000	$ 32,620,624	$ 114,305,624	$ 41,910,000	$ 18,115,888	$ 60,025,888	$ 9,405,000	$ 4,230,274	$ 13,635,274

*All of the FY 2005 debt service has already been paid.

APPENDIX A

Stanislaus County Debt Profile as of June 30, 2005 (continued)

FY ending June 30	1997 Series B COP (Refund Part of 1992)			1998 Series A COP (10th Street Bld.)			2004 Series A COP (Gallo)			2004 Series B COP (12th St. Bld. & Parking)		
	Principal	Interest	P&I	Principal	Interest	P&I	Principal	Interest	P&I	Principal	Interest	P&I
2005*	$505,000	$463,785	$968,785	$915,000	$858,800	$1,773,800	$0	$492,596	$492,596	$0	$881,528	$881,528
2006	$1,140,000	$441,565	$1,581,565	$950,000	$820,906	$1,770,906	$0	$545,645	$545,645	$0	$976,461	$976,461
2007	$1,190,000	$390,265	$1,580,265	$990,000	$780,275	$1,770,275	$580,000	$540,993	$1,120,993	$1,040,000	$968,011	$2,008,011
2008	$1,245,000	$335,525	$1,580,525	$1,030,000	$737,350	$1,767,350	$590,000	$529,951	$1,119,951	$1,055,000	$948,352	$2,003,352
2009	$1,310,000	$277,010	$1,587,010	$1,075,000	$692,619	$1,767,619	$595,000	$517,361	$1,112,361	$1,070,000	$925,774	$1,995,774
2010	$1,370,000	$214,130	$1,584,130	$1,120,000	$645,275	$1,765,275	$610,000	$504,176	$1,114,176	$1,090,000	$902,143	$1,992,143
2011	$1,435,000	$147,000	$1,582,000	$1,170,000	$594,450	$1,764,450	$620,000	$489,176	$1,109,176	$1,115,000	$875,246	$1,990,246
2012	$1,505,000	$75,250	$1,580,250	$1,220,000	$539,913	$1,759,913	$640,000	$471,439	$1,111,439	$1,140,000	$843,511	$1,983,511
2013				$1,280,000	$481,300	$1,761,300	$655,000	$452,014	$1,107,014	$1,175,000	$808,786	$1,983,786
2014				$1,340,000	$419,075	$1,759,075	$675,000	$431,220	$1,106,220	$1,205,000	$771,580	$1,976,580
2015				$1,400,000	$352,250	$1,752,250	$700,000	$408,001	$1,108,001	$1,245,000	$730,211	$1,975,211
2016				$1,470,000	$280,500	$1,750,500	$720,000	$382,791	$1,102,791	$1,295,000	$685,114	$1,980,114
2017				$1,545,000	$205,125	$1,750,125	$750,000	$355,956	$1,105,956	$1,340,000	$637,014	$1,977,014
2018				$1,625,000	$125,875	$1,750,875	$775,000	$327,356	$1,102,356	$1,390,000	$585,814	$1,975,814
2019				$1,705,000	$42,625	$1,747,625	$800,000	$296,631	$1,096,631	$1,440,000	$530,604	$1,970,604
2020							$835,000	$263,931	$1,098,931	$1,485,000	$472,104	$1,957,104
2021							$870,000	$229,396	$1,099,396	$1,555,000	$410,526	$1,965,526
2022							$905,000	$192,896	$1,097,896	$1,620,000	$345,236	$1,965,236
2023							$940,000	$154,490	$1,094,490	$1,690,000	$276,334	$1,966,334
2024							$985,000	$113,203	$1,098,203	$1,755,000	$202,453	$1,957,453
2025							$1,025,000	$69,234	$1,094,234	$1,835,000	$123,922	$1,958,922
2026							$1,070,000	$23,406	$1,093,406	$1,915,000	$41,891	$1,956,891
SUM	$ 9,700,000	$ 2,344,530	$ 12,044,530	$ 18,835,000	$ 7,576,338	$ 26,411,338	$ 15,340,000	$ 7,791,864	$ 23,131,864	$ 27,455,000	$ 13,942,613	$ 41,397,613

*All of the FY 2005 debt service has already been paid.

APPENDIX B

General Fund Revenues and Expenditures

General Fund Revenues	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Taxes	$ 32,740,195	$ 32,383,875	$ 34,927,028	$ 34,222,018	$ 38,811,885	$ 41,132,858	$ 44,492,505	$ 49,002,479	$ 53,017,690	$ 57,024,779
Licenses, permits and franchises	$ 2,113,670	$ 2,136,187	$ 2,207,838	$ 2,913,834	$ 2,576,174	$ 2,809,828	$ 1,908,253	$ 1,689,813	$ 1,807,341	$ 2,021,140
Fines, forfeitures and penalties	$ 535,178	$ 253,552	$ 3,333,537	$ 4,125,705	$ 5,798,020	$ 3,302,993	$ 4,849,220	$ 6,266,245	$ 5,255,353	$ 5,956,502
Revenue from use of money and property	$ 5,223,824	$ 5,431,679	$ 6,859,812	$ 6,753,484	$ 4,699,407	$ 7,134,699	$ 5,347,723	$ 2,921,212	$ 2,464,214	$ 3,504,765
Intergovernmental	$ 50,839,847	$ 56,630,036	$ 57,437,822	$ 63,510,883	$ 72,941,422	$ 78,488,915	$ 84,850,425	$ 89,133,714	$ 86,104,718	$ 110,287,845
Charges for services	$ 20,515,223	$ 20,144,135	$ 22,717,427	$ 27,220,294	$ 28,439,163	$ 29,338,926	$ 36,709,290	$ 33,482,876	$ 36,341,248	$ 39,924,682
Miscellaneous	$ 500,060	$ 243,769	$ 727,886	$ 906,478	$ 6,994,203	$ 5,110,357	$ 6,857,275	$ 7,753,913	$ 2,725,869	$ 2,166,623
Total	**$ 112,467,997**	**$ 117,223,233**	**$ 128,211,350**	**$ 139,652,696**	**$ 160,260,274**	**$ 167,318,576**	**$ 185,014,691**	**$ 190,250,252**	**$ 187,716,433**	**$ 220,886,336**

General Fund Expenditures	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Govt.	$ 20,408,085	$ 19,013,920	$ 19,969,035	$ 24,599,316	$ 32,292,949	$ 28,341,629	$ 31,595,607	$ 30,938,008	$ 29,109,343	$ 28,507,038
Public protection	$ 56,331,988	$ 59,135,673	$ 69,910,860	$ 77,272,265	$ 80,470,001	$ 85,029,279	$ 91,905,961	$ 96,980,176	$ 103,698,437	$ 112,718,945
Public ways& facilities	$ -	$ -	$ -	$ -	$ -	$ -	$ 365,714	$ -	$ 18,368	$ 389,230
Health & Sanitation	$ 8,265,394	$ 10,728,357	$ 14,090,724	$ -	$ -	$ 3,418,283	$ 3,677,421	$ 3,939,628	$ 4,418,639	$ 4,703,134
Public assistance	$ 192,915	$ 209,553	$ 188,666	$ 385,770	$ 382,412	$ 249,223	$ 297,681	$ 306,900	$ 287,603	$ 308,240
Education	$ 288,914	$ 292,075	$ 296,984	$ 348,953	$ 334,178	$ 360,299	$ 333,391	$ 330,482	$ 305,531	$ 332,103
Recreation & Cultural services	$ 2,959,626	$ 2,847,877	$ 2,996,831	$ 3,666,991	$ 3,915,225	$ 4,083,646	$ 4,394,982	$ 5,374,777	$ 6,552,256	$ 4,240,643
Principal (DS)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 39,979	$ 9,734
Interest & fiscal charges (DS)	$ (318,826)	$ 543,476	$ 621,421	$ (207,551)	$ (249,997)	$ -	$ -	$ -	$ 826,145	$ 925,208
Net Operating Transfers	$ 26,147,696	$ 28,698,267	$ 26,890,039	$ 35,380,708	$ 40,443,523	$ 39,368,525	$ 50,927,844	$ 48,327,772	$ 43,789,400	$ 45,452,373
Total	**$ 114,275,792**	**$ 121,469,198**	**$ 134,964,560**	**$ 141,446,452**	**$ 157,588,291**	**$ 160,850,884**	**$ 183,498,601**	**$ 186,197,743**	**$ 189,045,701**	**$ 197,586,648**
Surplus (Deficit)	**$ (1,807,795)**	**$ (4,245,965)**	**$ (6,753,210)**	**$ (1,793,756)**	**$ 2,671,983**	**$ 6,467,692**	**$ 1,516,090**	**$ 4,052,509**	**$ (1,329,268)**	**$ 23,299,688**

APPENDIX C

Rating Ratios for Stanislaus County and Peers (FY Ending June 30, 2005)

	Fresno	Kern	Kings	Madera	Merced	San Joaquin	Stanislaus	Tulare
Economic								
A.V. per Capita, FY 2005	$49,110	$66,498	$39,526	$56,545	$54,090	$66,572	$57,296	$45,670
Top Ten Taxpayer Concentration, FY 2005	5.03%	29.97%	0.00%	0.00%	5.57%	0.00%	4.63%	5.41%
Per Capita EBI, CY 2005	$13,201	$12,802	$11,316	$12,062	$12,229	$14,935	$14,702	$11,973
Per Capita EBI, as % of State, CY 2005	68.91%	66.83%	59.08%	62.97%	63.84%	77.97%	76.75%	62.51%
Per Capita EBI, as % of U.S., CY 2005	68.73%	66.65%	58.92%	62.80%	63.67%	77.76%	76.55%	62.34%
Median Household EBI, CY 2005	$33,833	$34,220	$35,224	$34,991	$34,200	$39,040	$37,815	$33,326
Median Household EBI, as % of State, CY 2005	77.04%	77.92%	80.21%	79.68%	77.88%	88.90%	86.11%	75.89%
Median Household EBI, as % of U.S., CY 2005	86.04%	87.02%	89.57%	88.98%	86.97%	99.28%	96.16%	84.75%
Financial								
Total GF Bal. as % of GF Rev., FY 2005	17.66%	16.26%	22.51%	19.98%	30.99%	11.73%	37.10%	9.96%
Unreserved GF Bal. as % of GF Rev., FY 2005	9.43%	7.31%	8.12%	17.16%	22.41%	6.67%	25.36%	3.55%
Unreserved/Undesignated GF Bal. as % of GF Rev., FY 2005	2.02%	7.31%	8.12%	10.04%	19.31%	2.52%	15.33%	3.55%
Debt, FY 2005								
Direct Debt per AV (with POB)	1.3620%	1.1604%	0.4420%	0.2816%	0.6538%	0.3269%	0.6864%	0.4713%
Direct Debt per AV (w/out POB)	0.0931%	0.1548%	0.2005%	0.2816%	0.2030%	0.3269%	0.4238%	0.3038%
Direct Debt per Capita (w/ POB)	668.88	771.62	174.72	159.21	353.64	217.60	393.25	215.25
Direct Debt per Capita (w/out POB)	45.70	102.92	79.25	159.21	109.83	217.60	242.82	138.75
Debt per Capita as % of Per Capita EBI (w/ POB)	5.0671%	6.0276%	1.5440%	1.3200%	2.8917%	1.4570%	2.6749%	1.7978%
Debt per Capita as % of Per Capita EBI (w/out POB)	0.3462%	0.8040%	0.7003%	1.3200%	0.8980%	1.4570%	1.6517%	1.1589%
Debt Service as % of GF Expenditure (w/ POB)	2.3791%	12.3815%	0.9588%	1.2669%	2.6603%	2.8460%	11.6099%	3.3946%
Debt Service as % of GF Expenditure (w/out POB)	0.0458%	6.7649%	0.6775%	1.2669%	0.4993%	2.8460%	5.8260%	2.2501%
Max Debt Service as % of GF Expenditure (w/ POB)	7.0916%	19.5004%	2.8383%	2.8620%	5.3079%	5.7966%	19.2089%	5.7015%
Max Debt Service as % of GF Expenditure (w/out POB)	6.7310%	15.4761%	2.1606%	1.4310%	4.5289%	2.8983%	12.4973%	3.4501%
Debt Amortization Schedule over 10 yrs (w/ POB)	30.2462%	45.0450%	41.7189%	34.7884%	58.4486%	61.2781%	76.3673%	91.8391%
Debt Amortization Schedule over 10 yrs (w/out POB)	46.5511%	67.7440%	33.3043%	34.7884%	29.9930%	61.2781%	61.7265%	87.3396%

Source:

(a) Population data - State of California, Department of Finance, Demographics Research Unit (http://www.dof.ca.gov/HTML/DEMOGRAP/E-1text.htm).

(a) Population data - Census - http://www.census.gov/popest/states/tables/NST-EST2005-01.xls

(c) A.V. Information - California State Controller, Assessed Valuation Annual Report (http://www.sco.ca.gov/ard/acctng/assessed/0405/0405avfinal.pdf)

(d) EBI data - Sales & Marketing Management, 2005 Survey of Buying Power and Media Markets.

Notes:

(a)2005 CAFR not currently available for Kings and Madera Counties. For Kings unaudited 2005 figures were used and for Madera unaudited 2004 figures were used.

(b) Expenditures are calculated as total general fund expenditures less other sources or plus other uses.

(c) As a better indication of ongoing DS requirements, FY 2006 debt service requirement was used for Kings and FY 2007 debt service requirement was used for Madera.

(d) Variable Rate Interest is estimated.

	Peer County Median	Mean	Stdev	Minimum	Maximum
Economic					
A.V. per Capita, FY 2005	$55,317	$54,413	$9,509	$39,526	$66,572
Top Ten Taxpayer Concentration, FY 2005	4.83%	6.33%	9.89%	0.00%	29.97%
Per Capita EBI, CY 2005	$12,516	$12,902	$1,310	$11,316	$14,935
Per Capita EBI, as % of State, CY 2005	65.34%	67.36%	6.84%	59.08%	77.97%
Per Capita EBI, as % of U.S., CY 2005	65.16%	67.18%	6.82%	58.92%	77.76%
Median Household EBI, CY 2005	$34,606	$35,331	$2,029	$33,326	$39,040
Median Household EBI, as % of State, CY 2005	78.80%	80.45%	4.62%	75.89%	88.90%
Median Household EBI, as % of U.S., CY 2005	88.00%	89.85%	5.16%	84.75%	99.28%
Financial					
Total GF Bal. as % of GF Rev., FY 2005	18.82%	20.77%	9.28%	9.96%	37.10%
Unreserved GF Bal. as % of GF Rev., FY 2005	8.78%	12.50%	8.06%	3.55%	25.36%
Unreserved/Undesignated GF Bal. as % of GF Rev., FY 2005	7.72%	8.53%	6.21%	2.02%	19.31%
Debt, FY 2005					
Direct Debt per AV (with POB)	0.5626%	0.6730%	0.3928%	0.2816%	1.3620%
Direct Debt per AV (w/out POB)	0.2423%	0.2484%	0.1058%	0.0931%	0.4238%
Direct Debt per Capita (w/ POB)	285.62	369.27	233.35	159.21	771.62
Direct Debt per Capita (w/out POB)	124.29	137.01	67.36	45.70	242.82
Debt per Capita as % of Per Capita EBI (w/ POB)	2.2364%	2.8475%	1.7784%	1.3200%	6.0276%
Debt per Capita as % of Per Capita EBI (w/out POB)	1.0285%	1.0420%	0.4331%	0.3462%	1.6517%
Debt Service as % of GF Expenditure (w/ POB)	2.7531%	4.6871%	4.5860%	0.9588%	12.3815%
Debt Service as % of GF Expenditure (w/out POB)	1.7585%	2.5221%	2.5156%	0.0458%	6.7649%
Max Debt Service as % of GF Expenditure (w/ POB)	5.7491%	8.5384%	6.8330%	2.8383%	19.5004%
Max Debt Service as % of GF Expenditure (w/out POB)	3.9895%	6.1467%	5.1586%	1.4310%	15.4761%
Debt Amortization Schedule over 10 yrs (w/ POB)	51.7468%	54.9664%	21.2526%	30.2462%	91.8391%
Debt Amortization Schedule over 10 yrs (w/out POB)	53.9146%	52.8406%	20.1124%	29.9930%	87.3396%

APPENDIX D

Debt Profiles of Peer Counties as of June 30, 2005

Fresno County

Fresno County
Overall Debt Service

Period Ending	Total Non-POB DS Principal	Total Non-POB DS Interest	Total Non-POB DS Debt Service	Total POB DS Principal	Total POB DS Interest	Total POB DS Debt Service
6/30/2000	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2001	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2002	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2003	0.00	0.00	0.00	0.00	6,821,429.40	6,821,429.40
6/30/2004	0.00	0.00	0.00	1,250,000.00	9,678,470.76	10,928,470.76
6/30/2005	0.00	425,246.63	425,246.63	2,465,000.00	19,191,391.78	21,656,391.78
6/30/2006	0.00	1,332,056.15	1,332,056.15	4,755,000.00	19,162,243.45	23,917,243.45
6/30/2007	1,915,000.00	1,431,982.50	3,346,982.50	8,025,000.00	18,833,725.45	26,858,725.45
6/30/2008	1,940,000.00	1,391,520.00	3,331,520.00	12,035,000.00	18,312,598.45	30,347,598.45
6/30/2009	1,980,000.00	1,347,870.00	3,327,870.00	16,320,000.00	17,560,564.20	33,880,564.20
6/30/2010	2,015,000.00	1,293,895.00	3,308,895.00	14,305,000.00	16,775,580.70	31,080,580.70
6/30/2011	2,065,000.00	1,238,970.00	3,303,970.00	16,205,000.00	16,023,160.45	32,228,160.45
6/30/2012	2,120,000.00	1,179,202.50	3,299,202.50	18,345,000.00	15,148,103.10	33,493,103.10
6/30/2013	2,180,000.00	1,114,652.50	3,294,652.50	20,740,000.00	14,138,375.20	34,878,375.20
6/30/2014	2,250,000.00	1,041,327.50	3,291,327.50	23,255,000.00	12,988,795.90	36,243,795.90
6/30/2015	2,330,000.00	965,027.50	3,295,027.50	25,970,000.00	11,694,272.40	37,664,272.40
6/30/2016	2,410,000.00	883,477.50	3,293,477.50	28,910,000.00	10,229,946.05	39,139,946.05
6/30/2017	2,500,000.00	796,115.00	3,296,115.00	32,110,000.00	8,565,901.60	40,675,901.60
6/30/2018	2,595,000.00	698,835.00	3,293,835.00	35,570,000.00	6,708,205.90	42,278,205.90
6/30/2019	2,695,000.00	595,035.00	3,290,035.00	39,275,000.00	4,664,171.25	43,939,171.25
6/30/2020	2,730,000.00	487,235.00	3,217,235.00	26,765,000.00	2,934,489.60	29,699,489.60
6/30/2021	1,590,000.00	376,128.75	1,966,128.75	12,266,556.00	19,228,444.00	31,495,000.00
6/30/2022	1,655,000.00	308,553.75	1,963,553.75	12,230,704.10	21,129,295.90	33,360,000.00
6/30/2023	1,725,000.00	237,388.75	1,962,388.75	12,162,116.75	23,137,883.25	35,300,000.00
6/30/2024	1,800,000.00	161,920.00	1,961,920.00	12,109,098.85	25,210,901.15	37,320,000.00
6/30/2025	1,880,000.00	82,720.00	1,962,720.00	12,016,647.00	27,398,353.00	39,415,000.00
6/30/2026	0.00	0.00	0.00	11,963,844.75	29,636,155.25	41,600,000.00
6/30/2027	0.00	0.00	0.00	11,969,793.15	31,900,206.85	43,870,000.00
6/30/2028	0.00	0.00	0.00	11,863,066.60	34,366,933.40	46,230,000.00
6/30/2029	0.00	0.00	0.00	11,893,026.60	36,791,973.40	48,685,000.00
6/30/2030	0.00	0.00	0.00	11,837,288.75	39,402,711.25	51,240,000.00
6/30/2031	0.00	0.00	0.00	11,800,332.00	42,094,668.00	53,895,000.00
6/30/2032	0.00	0.00	0.00	11,755,324.60	44,899,675.40	56,655,000.00
6/30/2033	0.00	0.00	0.00	21,954,949.70	37,572,250.26	59,527,199.96
6/30/2034	0.00	0.00	0.00	62,200,000.00	274,716.66	62,474,716.66
Total	$40,375,000	$17,389,159	$57,764,159	$554,322,749	$642,475,593	$1,196,798,342

Fresno County
Detailed POB Debt Service

Period Ending	1998 POBs Principal	1998 POBs Interest	1998 POBs Debt Service	2002 POBs Principal	2002 POBs Interest	2002 POBs Debt Service	2004 POBs - Fixed Rate Principal	2004 POBs - Fixed Rate Interest	2004 POBs - Fixed Rate Debt Service	2004 POBs - Variable Rate Estimated Principal	2004 POBs - Variable Rate Estimated Interest	2004 POBs - Variable Rate Estimated Debt Service
6/30/2000				0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2001				0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2002				0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2003				0.00	6,821,429.40	6,821,429.40	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2004	1,250,000.00	2,099,104.76	3,349,104.76	0.00	7,579,366.00	7,579,366.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2005	2,465,000.00	1,985,553.38	4,450,553.38	0.00	7,579,366.00	7,579,366.00	0.00	6,726,472.40	6,726,472.40	0.00	2,900,000.00	2,900,000.00
6/30/2006	3,755,000.00	1,794,097.75	5,549,097.75	0.00	7,579,366.00	7,579,366.00	1,000,000.00	7,513,779.70	8,513,779.70	0.00	2,275,000.00	2,275,000.00
6/30/2007	6,025,000.00	1,491,179.75	7,516,179.75	0.00	7,579,366.00	7,579,366.00	2,000,000.00	7,488,179.70	9,488,179.70	0.00	2,275,000.00	2,275,000.00
6/30/2008	8,905,000.00	1,026,712.75	9,931,712.75	0.00	7,579,366.00	7,579,366.00	3,130,000.00	7,431,519.70	10,561,519.70	0.00	2,275,000.00	2,275,000.00
6/30/2009	11,970,000.00	374,661.00	12,344,661.00	0.00	7,579,366.00	7,579,366.00	4,350,000.00	7,331,537.20	11,681,537.20	0.00	2,275,000.00	2,275,000.00
6/30/2010	0.00	0.00	0.00	8,640,000.00	7,317,574.00	15,957,574.00	5,665,000.00	7,183,006.70	12,848,006.70	0.00	2,275,000.00	2,275,000.00
6/30/2011	0.00	0.00	0.00	9,190,000.00	6,772,270.50	15,962,270.50	7,015,000.00	6,975,889.95	13,990,889.95	0.00	2,275,000.00	2,275,000.00
6/30/2012	0.00	0.00	0.00	9,780,000.00	6,182,156.00	15,962,156.00	8,565,000.00	6,690,947.10	15,255,947.10	0.00	2,275,000.00	2,275,000.00
6/30/2013	0.00	0.00	0.00	10,420,000.00	5,545,239.00	15,965,239.00	10,320,000.00	6,318,136.20	16,638,136.20	0.00	2,275,000.00	2,275,000.00
6/30/2014	0.00	0.00	0.00	11,105,000.00	4,859,565.00	15,964,565.00	12,150,000.00	5,854,230.90	18,004,230.90	0.00	2,275,000.00	2,275,000.00
6/30/2015	0.00	0.00	0.00	11,845,000.00	4,122,203.75	15,967,203.75	14,125,000.00	5,297,068.65	19,422,068.65	0.00	2,275,000.00	2,275,000.00
6/30/2016	0.00	0.00	0.00	12,645,000.00	3,318,491.75	15,963,491.75	16,265,000.00	4,636,454.30	20,901,454.30	0.00	2,275,000.00	2,275,000.00
6/30/2017	0.00	0.00	0.00	13,520,000.00	2,445,889.00	15,965,889.00	18,590,000.00	3,845,012.60	22,435,012.60	0.00	2,275,000.00	2,275,000.00
6/30/2018	0.00	0.00	0.00	14,455,000.00	1,512,922.75	15,967,922.75	21,115,000.00	2,920,283.15	24,035,283.15	0.00	2,275,000.00	2,275,000.00
6/30/2019	0.00	0.00	0.00	15,455,000.00	515,424.25	15,970,424.25	23,820,000.00	1,873,747.00	25,693,747.00	0.00	2,275,000.00	2,275,000.00
6/30/2020	0.00	0.00	0.00	0.00	0.00	0.00	26,765,000.00	659,489.60	27,424,489.60	0.00	2,275,000.00	2,275,000.00
6/30/2021	0.00	0.00	0.00	0.00	0.00	0.00	12,266,556.00	16,953,444.00	29,220,000.00	0.00	2,275,000.00	2,275,000.00
6/30/2022	0.00	0.00	0.00	0.00	0.00	0.00	12,230,704.10	18,854,295.90	31,085,000.00	0.00	2,275,000.00	2,275,000.00
6/30/2023	0.00	0.00	0.00	0.00	0.00	0.00	12,162,116.75	20,862,883.25	33,025,000.00	0.00	2,275,000.00	2,275,000.00
6/30/2024	0.00	0.00	0.00	0.00	0.00	0.00	12,109,098.85	22,935,901.15	35,045,000.00	0.00	2,275,000.00	2,275,000.00
6/30/2025	0.00	0.00	0.00	0.00	0.00	0.00	12,016,647.00	25,123,353.00	37,140,000.00	0.00	2,275,000.00	2,275,000.00
6/30/2026	0.00	0.00	0.00	0.00	0.00	0.00	11,963,844.75	27,361,155.25	39,325,000.00	0.00	2,275,000.00	2,275,000.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00	11,969,793.15	29,625,206.85	41,595,000.00	0.00	2,275,000.00	2,275,000.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00	11,863,066.60	31,916,933.40	43,780,000.00	0.00	2,450,000.00	2,450,000.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00	11,893,026.60	34,516,973.40	46,410,000.00	0.00	2,275,000.00	2,275,000.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00	11,837,288.75	37,127,711.25	48,965,000.00	0.00	2,275,000.00	2,275,000.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00	11,800,332.00	39,819,668.00	51,620,000.00	0.00	2,275,000.00	2,275,000.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00	11,755,324.60	42,624,675.40	54,380,000.00	0.00	2,275,000.00	2,275,000.00
6/30/2033	0.00	0.00	0.00	0.00	0.00	0.00	9,154,949.70	35,630,050.30	44,785,000.00	12,800,000.00	1,942,199.96	14,742,199.96
6/30/2034	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	62,200,000.00	274,716.66	62,474,716.66
Total	$34,370,000	$8,771,309	$43,141,309	$117,055,000	$94,889,361	$211,944,361	$327,897,749	$472,098,006	$799,995,755	$75,000,000	$66,716,917	$141,716,917

Fresno County
Detailed Non-POB Debt Service

Period Ending	Juvenile Justice Projects Principal	Juvenile Justice Projects Interest	Juvenile Justice Projects Debt Service	Energy Saving Projects Principal	Energy Saving Projects Interest	Energy Saving Projects Debt Service
6/30/2000	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2001	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2002	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2003	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2004	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2005	0.00	425,246.63	425,246.63	0.00	0.00	0.00
6/30/2006	0.00	939,195.00	939,195.00	0.00	392,861.15	392,861.15
6/30/2007	1,050,000.00	939,195.00	1,989,195.00	865,000.00	492,787.50	1,357,787.50
6/30/2008	1,065,000.00	918,195.00	1,983,195.00	875,000.00	473,325.00	1,348,325.00
6/30/2009	1,085,000.00	894,232.50	1,979,232.50	895,000.00	453,637.50	1,348,637.50
6/30/2010	1,105,000.00	867,107.50	1,972,107.50	910,000.00	426,787.50	1,336,787.50
6/30/2011	1,130,000.00	839,482.50	1,969,482.50	935,000.00	399,487.50	1,334,487.50
6/30/2012	1,160,000.00	810,102.50	1,970,102.50	960,000.00	369,100.00	1,329,100.00
6/30/2013	1,190,000.00	776,752.50	1,966,752.50	990,000.00	337,900.00	1,327,900.00
6/30/2014	1,225,000.00	738,077.50	1,963,077.50	1,025,000.00	303,250.00	1,328,250.00
6/30/2015	1,270,000.00	697,652.50	1,967,652.50	1,060,000.00	267,375.00	1,327,375.00
6/30/2016	1,310,000.00	653,202.50	1,963,202.50	1,100,000.00	230,275.00	1,330,275.00
6/30/2017	1,360,000.00	605,715.00	1,965,715.00	1,140,000.00	190,400.00	1,330,400.00
6/30/2018	1,410,000.00	554,035.00	1,964,035.00	1,185,000.00	144,800.00	1,329,800.00
6/30/2019	1,465,000.00	497,635.00	1,962,635.00	1,230,000.00	97,400.00	1,327,400.00
6/30/2020	1,525,000.00	439,035.00	1,964,035.00	1,205,000.00	48,200.00	1,253,200.00
6/30/2021	1,590,000.00	376,128.75	1,966,128.75	0.00	0.00	0.00
6/30/2022	1,655,000.00	308,553.75	1,963,553.75	0.00	0.00	0.00
6/30/2023	1,725,000.00	237,388.75	1,962,388.75	0.00	0.00	0.00
6/30/2024	1,800,000.00	161,920.00	1,961,920.00	0.00	0.00	0.00
6/30/2025	1,880,000.00	82,720.00	1,962,720.00	0.00	0.00	0.00
6/30/2026	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2033	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2034	0.00	0.00	0.00	0.00	0.00	0.00
Total	$26,000,000	$12,761,573	$38,761,573	$14,375,000	$4,627,586	$19,002,586

Kern County

Period Ending	Kern County Overall Debt Service — Total Non-POB DS Principal	Interest	Debt Service	Total POB DS Principal	Interest	Debt Service
6/30/2004	5,355,000.00	3,316,893.15	8,671,893.15	3,520,000.00	23,540,453.50	27,060,453.50
6/30/2005	29,870,000.00	3,970,142.52	33,840,142.52	4,830,000.00	23,266,070.00	28,096,070.00
6/30/2006	16,980,000.00	3,150,655.02	20,130,655.02	6,295,000.00	22,889,359.00	29,184,359.00
6/30/2007	5,790,000.00	2,780,696.27	8,570,696.27	8,575,000.00	22,412,326.00	30,987,326.00
6/30/2008	4,695,000.00	2,544,987.02	7,239,987.02	11,280,000.00	21,784,105.00	33,064,105.00
6/30/2009	3,120,000.00	2,378,568.27	5,498,568.27	14,265,000.00	20,985,999.50	35,250,999.50
6/30/2010	3,255,000.00	2,242,456.27	5,497,456.27	17,570,000.00	19,990,501.50	37,560,501.50
6/30/2011	3,400,000.00	2,094,453.14	5,494,453.14	21,215,000.00	18,771,295.00	39,986,295.00
6/30/2012	3,545,000.00	1,934,405.01	5,479,405.01	25,275,000.00	17,282,223.25	42,557,223.25
6/30/2013	3,725,000.00	1,762,856.26	5,487,856.26	29,780,000.00	15,492,516.00	45,272,516.00
6/30/2014	3,905,000.00	1,579,358.76	5,484,358.76	34,750,000.00	13,391,390.75	48,141,390.75
6/30/2015	4,090,000.00	1,383,811.26	5,473,811.26	40,240,000.00	10,944,723.50	51,184,723.50
6/30/2016	4,125,000.00	1,181,516.88	5,306,516.88	19,259,995.80	35,162,311.70	54,422,307.50
6/30/2017	4,330,000.00	972,018.75	5,302,018.75	20,887,244.60	36,979,495.40	57,866,740.00
6/30/2018	3,335,000.00	760,405.00	4,095,405.00	22,698,949.60	38,872,421.65	61,571,371.25
6/30/2019	3,505,000.00	588,920.00	4,093,920.00	24,696,946.75	40,887,529.25	65,584,476.00
6/30/2020	3,690,000.00	407,730.00	4,097,730.00	26,930,927.80	43,095,020.20	70,025,948.00
6/30/2021	1,985,000.00	268,245.00	2,253,245.00	29,399,773.65	45,763,698.35	75,163,472.00
6/30/2022	2,075,000.00	173,225.00	2,248,225.00	28,599,601.05	28,533,906.95	57,133,508.00
6/30/2023	955,000.00	70,681.25	1,025,681.25	27,245,000.00	3,132,028.00	30,377,028.00
6/30/2024	1,000,000.00	24,000.00	1,024,000.00	18,468,431.25	13,056,618.75	31,525,050.00
6/30/2025	0.00	0.00	0.00	9,848,898.80	23,313,951.20	33,162,850.00
6/30/2026	0.00	0.00	0.00	9,810,900.90	25,051,949.10	34,862,850.00
6/30/2027	0.00	0.00	0.00	18,373,835.90	18,356,179.88	36,730,015.78
6/30/2028	0.00	0.00	0.00	38,115,000.00	698,590.78	38,813,590.78
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00
Total	$112,730,000	$33,586,025	$146,316,025	$511,930,506	$583,654,664	$1,095,585,170

Period Ending	1986 COP Principal	1986 COP Interest	1986 COP Debt Service	1991 COP Principal	1991 COP Interest	1991 COP Debt Service	1994 COP Principal	1994 COP Interest	1994 COP Debt Service
	Kern County **Detailed Non-POB Debt Service**								
6/30/2004	0.00	0.00	0.00	1,175,000.00	276,505.00	1,451,505.00	85,000.00	87,303.76	172,303.76
6/30/2005	24,300,000.00	632,000.00	24,932,000.00	1,210,000.00	201,965.00	1,411,965.00	90,000.00	82,293.76	172,293.76
6/30/2006	11,400,000.00	109,000.00	11,509,000.00	1,250,000.00	123,850.00	1,373,850.00	95,000.00	76,951.26	171,951.26
6/30/2007	0.00	0.00	0.00	1,290,000.00	41,925.00	1,331,925.00	100,000.00	71,246.26	171,246.26
6/30/2008	0.00	0.00	0.00	0.00	0.00	0.00	110,000.00	64,996.26	174,996.26
6/30/2009	0.00	0.00	0.00	0.00	0.00	0.00	115,000.00	58,174.38	173,174.38
6/30/2010	0.00	0.00	0.00	0.00	0.00	0.00	120,000.00	50,902.50	170,902.50
6/30/2011	0.00	0.00	0.00	0.00	0.00	0.00	130,000.00	43,008.75	173,008.75
6/30/2012	0.00	0.00	0.00	0.00	0.00	0.00	135,000.00	34,545.00	169,545.00
6/30/2013	0.00	0.00	0.00	0.00	0.00	0.00	145,000.00	25,512.50	170,512.50
6/30/2014	0.00	0.00	0.00	0.00	0.00	0.00	155,000.00	15,762.50	170,762.50
6/30/2015	0.00	0.00	0.00	0.00	0.00	0.00	165,000.00	5,362.50	170,362.50
6/30/2016	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2024	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2026	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	$35,700,000	$741,000	$36,441,000	$4,925,000	$644,245	$5,569,245	$1,445,000	$616,059	$2,061,059

Kern County
Detailed Non-POB Debt Service

Period		1995 COP			1996 Golf COP			1996 Library COP			1997 COP	
Ending	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service
6/30/2004	1,245,000.00	133,515.00	1,378,515.00	195,000.00	199,782.50	394,782.50	1,410,000.00	332,995.00	1,742,995.00	410,000.00	407,077.50	817,077.50
6/30/2005	1,310,000.00	68,775.00	1,378,775.00	200,000.00	189,907.50	389,907.50	1,480,000.00	267,230.00	1,747,230.00	425,000.00	387,602.50	812,602.50
6/30/2006	0.00	0.00	0.00	210,000.00	179,657.50	389,657.50	1,545,000.00	196,882.50	1,741,882.50	450,000.00	367,415.00	817,415.00
6/30/2007	0.00	0.00	0.00	225,000.00	168,782.50	393,782.50	1,615,000.00	121,815.00	1,736,815.00	470,000.00	345,815.00	815,815.00
6/30/2008	0.00	0.00	0.00	235,000.00	157,167.00	392,167.00	1,695,000.00	41,527.50	1,736,527.50	490,000.00	323,255.00	813,255.00
6/30/2009	0.00	0.00	0.00	245,000.00	144,804.50	389,804.50	0.00	0.00	0.00	515,000.00	299,245.00	814,245.00
6/30/2010	0.00	0.00	0.00	260,000.00	131,542.50	391,542.50	0.00	0.00	0.00	545,000.00	273,495.00	818,495.00
6/30/2011	0.00	0.00	0.00	270,000.00	117,362.50	387,362.50	0.00	0.00	0.00	570,000.00	245,700.00	815,700.00
6/30/2012	0.00	0.00	0.00	285,000.00	102,306.25	387,306.25	0.00	0.00	0.00	600,000.00	215,775.00	815,775.00
6/30/2013	0.00	0.00	0.00	305,000.00	86,152.50	391,152.50	0.00	0.00	0.00	630,000.00	184,275.00	814,275.00
6/30/2014	0.00	0.00	0.00	320,000.00	68,885.00	388,885.00	0.00	0.00	0.00	665,000.00	151,200.00	816,200.00
6/30/2015	0.00	0.00	0.00	335,000.00	50,625.00	385,625.00	0.00	0.00	0.00	700,000.00	116,287.50	816,287.50
6/30/2016	0.00	0.00	0.00	355,000.00	31,216.25	386,216.25	0.00	0.00	0.00	740,000.00	79,537.50	819,537.50
6/30/2017	0.00	0.00	0.00	375,000.00	10,593.75	385,593.75	0.00	0.00	0.00	775,000.00	40,687.50	815,687.50
6/30/2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2024	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2026	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	$2,555,000	$202,290	$2,757,290	$3,815,000	$1,638,785	$5,453,785	$7,745,000	$960,450	$8,705,450	$7,985,000	$3,437,368	$11,422,368

Period Ending	Kern County Detailed Non-POB Debt Service 1999 COP Principal	1999 COP Interest	1999 COP Debt Service	2002 COP Principal	2002 COP Interest	2002 COP Debt Service	2003 COP Principal	2003 COP Interest	2003 COP Debt Service
6/30/2004	245,000.00	1,000,857.50	1,245,857.50	590,000.00	634,057.50	1,224,057.50	0.00	244,799.39	244,799.39
6/30/2005	250,000.00	990,400.00	1,240,400.00	605,000.00	622,257.50	1,227,257.50	0.00	527,711.26	527,711.26
6/30/2006	910,000.00	965,522.50	1,875,522.50	620,000.00	608,040.00	1,228,040.00	500,000.00	523,336.26	1,023,336.26
6/30/2007	945,000.00	925,167.50	1,870,167.50	635,000.00	591,765.00	1,226,765.00	510,000.00	514,180.01	1,024,180.01
6/30/2008	990,000.00	882,102.50	1,872,102.50	655,000.00	572,715.00	1,227,715.00	520,000.00	503,223.76	1,023,223.76
6/30/2009	1,035,000.00	835,893.13	1,870,893.13	675,000.00	551,427.50	1,226,427.50	535,000.00	489,023.76	1,024,023.76
6/30/2010	1,080,000.00	786,308.76	1,866,308.76	700,000.00	527,802.50	1,227,802.50	550,000.00	472,405.01	1,022,405.01
6/30/2011	1,135,000.00	732,993.13	1,867,993.13	725,000.00	501,552.50	1,226,552.50	570,000.00	453,836.26	1,023,836.26
6/30/2012	1,185,000.00	675,702.50	1,860,702.50	750,000.00	473,277.50	1,223,277.50	590,000.00	432,798.76	1,022,798.76
6/30/2013	1,250,000.00	614,202.50	1,864,202.50	780,000.00	443,277.50	1,223,277.50	615,000.00	409,436.26	1,024,436.26
6/30/2014	1,310,000.00	548,267.50	1,858,267.50	815,000.00	410,907.50	1,225,907.50	640,000.00	384,336.26	1,024,336.26
6/30/2015	1,375,000.00	477,770.00	1,852,770.00	850,000.00	375,862.50	1,225,862.50	665,000.00	357,903.76	1,022,903.76
6/30/2016	1,450,000.00	402,363.75	1,852,363.75	885,000.00	338,462.50	1,223,462.50	695,000.00	329,936.88	1,024,936.88
6/30/2017	1,530,000.00	322,085.00	1,852,085.00	925,000.00	298,637.50	1,223,637.50	725,000.00	300,015.00	1,025,015.00
6/30/2018	1,610,000.00	236,500.00	1,846,500.00	970,000.00	256,087.50	1,226,087.50	755,000.00	267,817.50	1,022,817.50
6/30/2019	1,700,000.00	145,475.00	1,845,475.00	1,015,000.00	210,012.50	1,225,012.50	790,000.00	233,432.50	1,023,432.50
6/30/2020	1,795,000.00	49,362.50	1,844,362.50	1,065,000.00	161,800.00	1,226,800.00	830,000.00	196,567.50	1,026,567.50
6/30/2021	0.00	0.00	0.00	1,115,000.00	111,212.50	1,226,212.50	870,000.00	157,032.50	1,027,032.50
6/30/2022	0.00	0.00	0.00	1,165,000.00	58,250.00	1,223,250.00	910,000.00	114,975.00	1,024,975.00
6/30/2023	0.00	0.00	0.00	0.00	0.00	0.00	955,000.00	70,681.25	1,025,681.25
6/30/2024	0.00	0.00	0.00	0.00	0.00	0.00	1,000,000.00	24,000.00	1,024,000.00
6/30/2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2026	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	$19,795,000	$10,590,974	$30,385,974	$15,540,000	$7,747,405	$23,287,405	$13,225,000	$7,007,449	$20,232,449

KNN public finance

Kern County
Detailed POB Debt Service

Period	1995 Pension Obligation Bonds			2003 Pension Obligation Bonds, Series A			2003 Pension Obligation Bonds, Series B		
Ending	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service
6/30/2004	3,520,000.00	12,217,080.00	15,737,080.00	0.00	9,490,523.50	9,490,523.50	0.00	1,832,850.00	1,832,850.00
6/30/2005	4,830,000.00	11,942,696.50	16,772,696.50	0.00	9,490,523.50	9,490,523.50	0.00	1,832,850.00	1,832,850.00
6/30/2006	6,295,000.00	11,573,441.50	17,868,441.50	0.00	9,483,067.50	9,483,067.50	0.00	1,832,850.00	1,832,850.00
6/30/2007	7,935,000.00	11,096,408.50	19,031,408.50	640,000.00	9,483,067.50	10,123,067.50	0.00	1,832,850.00	1,832,850.00
6/30/2008	9,770,000.00	10,496,330.50	20,266,330.50	1,510,000.00	9,454,924.50	10,964,924.50	0.00	1,832,850.00	1,832,850.00
6/30/2009	11,820,000.00	9,757,054.00	21,577,054.00	2,445,000.00	9,396,095.50	11,841,095.50	0.00	1,832,850.00	1,832,850.00
6/30/2010	14,120,000.00	8,857,658.00	22,977,658.00	3,450,000.00	9,299,993.50	12,749,993.50	0.00	1,832,850.00	1,832,850.00
6/30/2011	16,680,000.00	7,779,402.00	24,459,402.00	4,535,000.00	9,159,043.00	13,694,043.00	0.00	1,832,850.00	1,832,850.00
6/30/2012	19,560,000.00	6,483,906.00	26,043,906.00	5,715,000.00	8,965,467.25	14,680,467.25	0.00	1,832,850.00	1,832,850.00
6/30/2013	22,785,000.00	4,946,782.50	27,731,782.50	6,995,000.00	8,712,883.50	15,707,883.50	0.00	1,832,850.00	1,832,850.00
6/30/2014	26,375,000.00	3,162,274.50	29,537,274.50	8,375,000.00	8,396,266.25	16,771,266.25	0.00	1,832,850.00	1,832,850.00
6/30/2015	30,370,000.00	1,102,431.00	31,472,431.00	9,870,000.00	8,009,442.50	17,879,442.50	0.00	1,832,850.00	1,832,850.00
6/30/2016	7,769,995.80	25,785,004.20	33,555,000.00	11,490,000.00	7,544,457.50	19,034,457.50	0.00	1,832,850.00	1,832,850.00
6/30/2017	7,652,244.60	28,152,755.40	35,805,000.00	13,235,000.00	6,993,890.00	20,228,890.00	0.00	1,832,850.00	1,832,850.00
6/30/2018	7,573,949.60	30,686,050.40	38,260,000.00	15,125,000.00	6,353,521.25	21,478,521.25	0.00	1,832,850.00	1,832,850.00
6/30/2019	7,511,946.75	33,463,053.25	40,975,000.00	17,185,000.00	5,591,626.00	22,776,626.00	0.00	1,832,850.00	1,832,850.00
6/30/2020	7,495,927.80	36,564,072.20	44,060,000.00	19,435,000.00	4,698,098.00	24,133,098.00	0.00	1,832,850.00	1,832,850.00
6/30/2021	7,544,773.65	40,240,226.35	47,785,000.00	21,855,000.00	3,690,622.00	25,545,622.00	0.00	1,832,850.00	1,832,850.00
6/30/2022	4,144,601.05	24,140,398.95	28,285,000.00	24,455,000.00	2,560,658.00	27,015,658.00	0.00	1,832,850.00	1,832,850.00
6/30/2023	0.00	0.00	0.00	27,245,000.00	1,299,178.00	28,544,178.00	0.00	1,832,850.00	1,832,850.00
6/30/2024	0.00	0.00	0.00	18,468,431.25	11,223,768.75	29,692,200.00	0.00	1,832,850.00	1,832,850.00
6/30/2025	0.00	0.00	0.00	9,848,898.80	21,481,101.20	31,330,000.00	0.00	1,832,850.00	1,832,850.00
6/30/2026	0.00	0.00	0.00	9,810,900.90	23,219,099.10	33,030,000.00	0.00	1,832,850.00	1,832,850.00
6/30/2027	0.00	0.00	0.00	6,488,835.90	16,741,164.10	23,230,000.00	11,885,000.00	1,615,015.78	13,500,015.78
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00	38,115,000.00	698,590.78	38,813,590.78
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	$223,753,439	$318,447,026	$542,200,465	$238,177,067	$220,738,482	$458,915,549	$50,000,000	$44,469,157	$94,469,157

Kings County

Period Ending	Total Non-POB DS Principal	Total Non-POB DS Interest	Total Non-POB DS Debt Service	Total POB DS Principal	Total POB DS Interest	Total POB DS Debt Service
	Kings County Overall Debt Service					
6/30/2000	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2001	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2002	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2003	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2004	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2005	0.00	0.00	0.00	80,000.00	192,920.00	272,920.00
6/30/2006	320,000.00	462,349.44	782,349.44	100,000.00	224,730.00	324,730.00
6/30/2007	345,000.00	434,675.00	779,675.00	775,193.20	314,786.80	1,089,980.00
6/30/2008	355,000.00	424,325.00	779,325.00	774,914.40	366,575.60	1,141,490.00
6/30/2009	365,000.00	413,675.00	778,675.00	751,892.00	418,068.00	1,169,960.00
6/30/2010	375,000.00	403,637.50	778,637.50	738,580.20	467,529.80	1,206,110.00
6/30/2011	385,000.00	393,325.00	778,325.00	740,874.35	518,635.65	1,259,510.00
6/30/2012	400,000.00	381,775.00	781,775.00	737,590.40	566,624.60	1,304,215.00
6/30/2013	410,000.00	368,775.00	778,775.00	718,484.35	611,855.65	1,330,340.00
6/30/2014	425,000.00	354,425.00	779,425.00	699,060.80	654,769.20	1,353,830.00
6/30/2015	440,000.00	339,018.76	779,018.76	693,091.80	696,668.20	1,389,760.00
6/30/2016	460,000.00	322,518.76	782,518.76	709,471.00	716,889.00	1,426,360.00
6/30/2017	475,000.00	305,268.76	780,268.76	725,703.45	734,916.55	1,460,620.00
6/30/2018	495,000.00	286,862.50	781,862.50	742,553.70	749,986.30	1,492,540.00
6/30/2019	515,000.00	267,062.50	782,062.50	753,846.45	763,273.55	1,517,120.00
6/30/2020	535,000.00	246,462.50	781,462.50	772,537.00	777,213.00	1,549,750.00
6/30/2021	555,000.00	224,393.76	779,393.76	791,079.10	783,960.90	1,575,040.00
6/30/2022	580,000.00	201,500.00	781,500.00	820,055.80	792,934.20	1,612,990.00
6/30/2023	605,000.00	176,850.00	781,850.00	861,294.10	801,525.90	1,662,820.00
6/30/2024	630,000.00	151,137.50	781,137.50	911,343.20	802,406.80	1,713,750.00
6/30/2025	655,000.00	124,362.50	779,362.50	0.00	0.00	0.00
6/30/2026	685,000.00	96,525.00	781,525.00	0.00	0.00	0.00
6/30/2027	715,000.00	65,700.00	780,700.00	0.00	0.00	0.00
6/30/2028	745,000.00	33,525.00	778,525.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00
Total	$11,470,000	$6,478,149	$17,948,149	$13,897,565	$11,956,270	$25,853,835

Period Ending	Kings County Detailed POB Debt Service — 2004 Series A-2 Pension Obligation Bonds Principal	Interest	Debt Service	2004 Series B Pension Obligation Bonds Principal	Interest	Debt Service	Kings County Detailed Non-POB Debt Service — Lease Revenue Bonds, 2005 Series A (Jail Facilities) Principal	Interest	Debt Service
6/30/2000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2001	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2002	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2003	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2004	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2005	0.00	0.00	0.00	80,000.00	192,920.00	272,920.00	0.00	0.00	0.00
6/30/2006	0.00	0.00	0.00	100,000.00	224,730.00	324,730.00	320,000.00	462,349.44	782,349.44
6/30/2007	495,193.20	59,806.80	555,000.00	280,000.00	254,980.00	534,980.00	345,000.00	434,675.00	779,675.00
6/30/2008	489,914.40	90,085.60	580,000.00	285,000.00	276,490.00	561,490.00	355,000.00	424,325.00	779,325.00
6/30/2009	476,892.00	123,108.00	600,000.00	275,000.00	294,960.00	569,960.00	365,000.00	413,675.00	778,675.00
6/30/2010	463,580.20	156,419.80	620,000.00	275,000.00	311,110.00	586,110.00	375,000.00	403,637.50	778,637.50
6/30/2011	450,874.35	194,125.65	645,000.00	290,000.00	324,510.00	614,510.00	385,000.00	393,325.00	778,325.00
6/30/2012	437,590.40	232,409.60	670,000.00	300,000.00	334,215.00	634,215.00	400,000.00	381,775.00	781,775.00
6/30/2013	423,484.35	271,515.65	695,000.00	295,000.00	340,340.00	635,340.00	410,000.00	368,775.00	778,775.00
6/30/2014	409,060.80	310,939.20	720,000.00	290,000.00	343,830.00	633,830.00	425,000.00	354,425.00	779,425.00
6/30/2015	393,091.80	351,908.20	745,000.00	300,000.00	344,760.00	644,760.00	440,000.00	339,018.76	779,018.76
6/30/2016	379,471.00	395,529.00	775,000.00	330,000.00	321,360.00	651,360.00	460,000.00	322,518.76	782,518.76
6/30/2017	365,703.45	439,296.55	805,000.00	360,000.00	295,620.00	655,620.00	475,000.00	305,268.76	780,268.76
6/30/2018	352,553.70	482,446.30	835,000.00	390,000.00	267,540.00	657,540.00	495,000.00	286,862.50	781,862.50
6/30/2019	338,846.45	526,153.55	865,000.00	415,000.00	237,120.00	652,120.00	515,000.00	267,062.50	782,062.50
6/30/2020	327,537.00	572,463.00	900,000.00	445,000.00	204,750.00	649,750.00	535,000.00	246,462.50	781,462.50
6/30/2021	316,079.10	613,920.90	930,000.00	475,000.00	170,040.00	645,040.00	555,000.00	224,393.76	779,393.76
6/30/2022	305,055.80	659,944.20	965,000.00	515,000.00	132,990.00	647,990.00	580,000.00	201,500.00	781,500.00
6/30/2023	296,294.10	708,705.90	1,005,000.00	565,000.00	92,820.00	657,820.00	605,000.00	176,850.00	781,850.00
6/30/2024	286,343.20	753,656.80	1,040,000.00	625,000.00	48,750.00	673,750.00	630,000.00	151,137.50	781,137.50
6/30/2025	0.00	0.00	0.00	0.00	0.00	0.00	655,000.00	124,362.50	779,362.50
6/30/2026	0.00	0.00	0.00	0.00	0.00	0.00	685,000.00	96,525.00	781,525.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00	715,000.00	65,700.00	780,700.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00	745,000.00	33,525.00	778,525.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	$7,007,565	$6,942,435	$13,950,000	$6,890,000	$5,013,835	$11,903,835	$11,470,000	$6,478,149	$17,948,149

Madera County

Period Ending	Madera County Overall Debt Service — Total Non-POB DS Principal	Interest	Debt Service	Total POB DS Principal	Interest	Debt Service	Madera County Detailed Non-POB Debt Service — 2005 Certificates of Participation Principal	Interest	Debt Service
6/30/2000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2001	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2002	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2003	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2004	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2005	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2006	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2007	710,000.00	793,374.36	1,503,374.36	0.00	0.00	0.00	710,000.00	793,374.36	1,503,374.36
6/30/2008	685,000.00	862,956.26	1,547,956.26	0.00	0.00	0.00	685,000.00	862,956.26	1,547,956.26
6/30/2009	755,000.00	842,406.26	1,597,406.26	0.00	0.00	0.00	755,000.00	842,406.26	1,597,406.26
6/30/2010	825,000.00	819,756.26	1,644,756.26	0.00	0.00	0.00	825,000.00	819,756.26	1,644,756.26
6/30/2011	900,000.00	795,006.26	1,695,006.26	0.00	0.00	0.00	900,000.00	795,006.26	1,695,006.26
6/30/2012	930,000.00	768,006.26	1,698,006.26	0.00	0.00	0.00	930,000.00	768,006.26	1,698,006.26
6/30/2013	965,000.00	730,806.26	1,695,806.26	0.00	0.00	0.00	965,000.00	730,806.26	1,695,806.26
6/30/2014	1,000,000.00	697,031.26	1,697,031.26	0.00	0.00	0.00	1,000,000.00	697,031.26	1,697,031.26
6/30/2015	1,040,000.00	657,031.26	1,697,031.26	0.00	0.00	0.00	1,040,000.00	657,031.26	1,697,031.26
6/30/2016	1,080,000.00	615,431.26	1,695,431.26	0.00	0.00	0.00	1,080,000.00	615,431.26	1,695,431.26
6/30/2017	1,125,000.00	572,231.26	1,697,231.26	0.00	0.00	0.00	1,125,000.00	572,231.26	1,697,231.26
6/30/2018	1,170,000.00	527,231.26	1,697,231.26	0.00	0.00	0.00	1,170,000.00	527,231.26	1,697,231.26
6/30/2019	1,215,000.00	480,431.26	1,695,431.26	0.00	0.00	0.00	1,215,000.00	480,431.26	1,695,431.26
6/30/2020	1,265,000.00	431,831.26	1,696,831.26	0.00	0.00	0.00	1,265,000.00	431,831.26	1,696,831.26
6/30/2021	1,315,000.00	381,231.26	1,696,231.26	0.00	0.00	0.00	1,315,000.00	381,231.26	1,696,231.26
6/30/2022	1,370,000.00	325,343.76	1,695,343.76	0.00	0.00	0.00	1,370,000.00	325,343.76	1,695,343.76
6/30/2023	1,430,000.00	267,118.76	1,697,118.76	0.00	0.00	0.00	1,430,000.00	267,118.76	1,697,118.76
6/30/2024	1,490,000.00	206,343.76	1,696,343.76	0.00	0.00	0.00	1,490,000.00	206,343.76	1,696,343.76
6/30/2025	1,555,000.00	141,156.26	1,696,156.26	0.00	0.00	0.00	1,555,000.00	141,156.26	1,696,156.26
6/30/2026	1,625,000.00	73,125.00	1,698,125.00	0.00	0.00	0.00	1,625,000.00	73,125.00	1,698,125.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	22,450,000.00	10,987,849.54	33,437,849.54	0.00	0.00	0.00	22,450,000.00	10,987,849.54	33,437,849.54

Merced County

Merced County
Overall Debt Service

Period Ending	Total Non-POB DS Principal	Total Non-POB DS Interest	Total Non-POB DS Debt Service	Total POB DS Principal	Total POB DS Interest	Total POB DS Debt Service
6/30/2000	0.00	0.00	0.00	0.00	3,882,181.33	3,882,181.33
6/30/2001	0.00	0.00	0.00	360,000.00	3,830,340.00	4,190,340.00
6/30/2002	0.00	0.00	0.00	605,000.00	3,805,278.75	4,410,278.75
6/30/2003	0.00	568,465.11	666,194.62	875,000.00	3,765,772.50	4,640,772.50
6/30/2004	0.00	620,143.76	717,873.27	1,175,000.00	3,709,835.00	4,884,835.00
6/30/2005	0.00	620,143.76	717,873.27	1,500,000.00	3,634,772.50	5,134,772.50
6/30/2006	255,000.00	1,014,638.66	1,367,368.17	1,865,000.00	3,538,403.75	5,403,403.75
6/30/2007	270,000.00	1,013,675.02	1,381,404.53	2,260,000.00	3,419,245.00	5,679,245.00
6/30/2008	275,000.00	1,005,575.02	1,378,304.53	2,690,000.00	3,275,695.00	5,965,695.00
6/30/2009	285,000.00	997,325.02	1,380,054.53	3,160,000.00	3,104,465.00	6,264,465.00
6/30/2010	295,000.00	988,775.02	1,381,504.53	3,680,000.00	2,900,845.00	6,580,845.00
6/30/2011	305,000.00	979,187.52	1,381,917.03	4,250,000.00	2,661,882.50	6,911,882.50
6/30/2012	680,000.00	969,275.02	1,747,004.53	4,870,000.00	2,384,785.00	7,254,785.00
6/30/2013	710,000.00	944,245.02	1,751,974.53	5,550,000.00	2,062,812.50	7,612,812.50
6/30/2014	735,000.00	917,313.76	1,652,313.76	6,295,000.00	1,692,656.25	7,987,656.25
6/30/2015	760,000.00	888,588.76	1,648,588.76	7,110,000.00	1,273,750.00	8,383,750.00
6/30/2016	795,000.00	858,012.52	1,653,012.52	7,990,000.00	801,875.00	8,791,875.00
6/30/2017	825,000.00	825,372.52	1,650,372.52	8,835,000.00	276,093.75	9,111,093.75
6/30/2018	860,000.00	790,837.52	1,650,837.52	0.00	0.00	0.00
6/30/2019	895,000.00	753,468.76	1,648,468.76	0.00	0.00	0.00
6/30/2020	935,000.00	713,956.26	1,648,956.26	0.00	0.00	0.00
6/30/2021	980,000.00	671,877.50	1,651,877.50	0.00	0.00	0.00
6/30/2022	1,025,000.00	626,357.50	1,651,357.50	0.00	0.00	0.00
6/30/2023	1,070,000.00	578,482.50	1,648,482.50	0.00	0.00	0.00
6/30/2024	1,120,000.00	528,507.50	1,648,507.50	0.00	0.00	0.00
6/30/2025	1,175,000.00	475,937.50	1,650,937.50	0.00	0.00	0.00
6/30/2026	1,250,000.00	420,757.50	1,670,757.50	0.00	0.00	0.00
6/30/2027	1,315,000.00	361,735.00	1,676,735.00	0.00	0.00	0.00
6/30/2028	1,375,000.00	299,625.00	1,674,625.00	0.00	0.00	0.00
6/30/2029	1,440,000.00	234,500.00	1,674,500.00	0.00	0.00	0.00
6/30/2030	1,510,000.00	166,281.26	1,676,281.26	0.00	0.00	0.00
6/30/2031	925,000.00	94,750.00	1,019,750.00	0.00	0.00	0.00
6/30/2032	970,000.00	48,500.00	1,018,500.00	0.00	0.00	0.00
Total	$23,035,000	$19,976,310	$44,086,335	$63,070,000	$50,020,689	$113,090,689

Merced County
Detailed Non-POB Debt Service

Period Ending	Energy Retrofit Loan Principal	Energy Retrofit Loan Interest	Energy Retrofit Loan Debt Service	2002 COPs - Juvenile Justice Correctional Facility Principal	2002 COPs Interest	2002 COPs Debt Service	2005 COPs - County Courthouse Principal	2005 COPs Interest	2005 COPs Debt Service
6/30/2000				0.00	0.00	0.00	0.00	0.00	0.00
6/30/2001				0.00	0.00	0.00	0.00	0.00	0.00
6/30/2002				0.00	0.00	0.00	0.00	0.00	0.00
6/30/2003			97,729.51	0.00	568,465.11	568,465.11	0.00	0.00	0.00
6/30/2004			97,729.51	0.00	620,143.76	620,143.76	0.00	0.00	0.00
6/30/2005			97,729.51	0.00	620,143.76	620,143.76	0.00	0.00	0.00
6/30/2006			97,729.51	0.00	620,143.76	620,143.76	255,000.00	394,494.90	649,494.90
6/30/2007			97,729.51	0.00	620,143.76	620,143.76	270,000.00	393,531.26	663,531.26
6/30/2008			97,729.51	0.00	620,143.76	620,143.76	275,000.00	385,431.26	660,431.26
6/30/2009			97,729.51	0.00	620,143.76	620,143.76	285,000.00	377,181.26	662,181.26
6/30/2010			97,729.51	0.00	620,143.76	620,143.76	295,000.00	368,631.26	663,631.26
6/30/2011			97,729.51	0.00	620,143.76	620,143.76	305,000.00	359,043.76	664,043.76
6/30/2012			97,729.51	370,000.00	620,143.76	990,143.76	310,000.00	349,131.26	659,131.26
6/30/2013			97,729.51	385,000.00	605,343.76	990,343.76	325,000.00	338,901.26	663,901.26
6/30/2014				400,000.00	589,462.50	989,462.50	335,000.00	327,851.26	662,851.26
6/30/2015				415,000.00	572,462.50	987,462.50	345,000.00	316,126.26	661,126.26
6/30/2016				435,000.00	554,306.26	989,306.26	360,000.00	303,706.26	663,706.26
6/30/2017				455,000.00	535,166.26	990,166.26	370,000.00	290,206.26	660,206.26
6/30/2018				475,000.00	514,691.26	989,691.26	385,000.00	276,146.26	661,146.26
6/30/2019				495,000.00	492,722.50	987,722.50	400,000.00	260,746.26	660,746.26
6/30/2020				520,000.00	469,210.00	989,210.00	415,000.00	244,746.26	659,746.26
6/30/2021				545,000.00	444,250.00	989,250.00	435,000.00	227,627.50	662,627.50
6/30/2022				575,000.00	417,000.00	992,000.00	450,000.00	209,357.50	659,357.50
6/30/2023				600,000.00	388,250.00	988,250.00	470,000.00	190,232.50	660,232.50
6/30/2024				630,000.00	358,250.00	988,250.00	490,000.00	170,257.50	660,257.50
6/30/2025				665,000.00	326,750.00	991,750.00	510,000.00	149,187.50	659,187.50
6/30/2026				715,000.00	293,500.00	1,008,500.00	535,000.00	127,257.50	662,257.50
6/30/2027				755,000.00	257,750.00	1,012,750.00	560,000.00	103,985.00	663,985.00
6/30/2028				795,000.00	220,000.00	1,015,000.00	580,000.00	79,625.00	659,625.00
6/30/2029				835,000.00	180,250.00	1,015,250.00	605,000.00	54,250.00	659,250.00
6/30/2030				875,000.00	138,500.00	1,013,500.00	635,000.00	27,781.26	662,781.26
6/30/2031				925,000.00	94,750.00	1,019,750.00	0.00	0.00	0.00
6/30/2032				970,000.00	48,500.00	1,018,500.00	0.00	0.00	0.00
Total	$0	$0	$1,075,025	$12,835,000	$13,650,874	$26,485,874	$10,200,000	$6,325,436	$16,525,436

Period Ending	Merced County Detailed POB Debt Service 1999 Pension Obligation Bonds Principal	Interest	Debt Service
6/30/2000	0.00	3,882,181.33	3,882,181.33
6/30/2001	360,000.00	3,830,340.00	4,190,340.00
6/30/2002	605,000.00	3,805,278.75	4,410,278.75
6/30/2003	875,000.00	3,765,772.50	4,640,772.50
6/30/2004	1,175,000.00	3,709,835.00	4,884,835.00
6/30/2005	1,500,000.00	3,634,772.50	5,134,772.50
6/30/2006	1,865,000.00	3,538,403.75	5,403,403.75
6/30/2007	2,260,000.00	3,419,245.00	5,679,245.00
6/30/2008	2,690,000.00	3,275,695.00	5,965,695.00
6/30/2009	3,160,000.00	3,104,465.00	6,264,465.00
6/30/2010	3,680,000.00	2,900,845.00	6,580,845.00
6/30/2011	4,250,000.00	2,661,882.50	6,911,882.50
6/30/2012	4,870,000.00	2,384,785.00	7,254,785.00
6/30/2013	5,550,000.00	2,062,812.50	7,612,812.50
6/30/2014	6,295,000.00	1,692,656.25	7,987,656.25
6/30/2015	7,110,000.00	1,273,750.00	8,383,750.00
6/30/2016	7,990,000.00	801,875.00	8,791,875.00
6/30/2017	8,835,000.00	276,093.75	9,111,093.75
6/30/2018	0.00	0.00	0.00
6/30/2019	0.00	0.00	0.00
6/30/2020	0.00	0.00	0.00
6/30/2021	0.00	0.00	0.00
6/30/2022	0.00	0.00	0.00
6/30/2023	0.00	0.00	0.00
6/30/2024	0.00	0.00	0.00
6/30/2025	0.00	0.00	0.00
6/30/2026	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00
Total	$63,070,000	$50,020,689	$113,090,689

San Joaquin County

Period Ending	Total Non-POB DS Principal	Interest	Debt Service	Total POB DS Principal	Interest	Debt Service
	San Joaquin County Overall Debt Service					
6/30/2000	8,180,000.00	7,726,012.72	15,906,012.72	0.00	0.00	0.00
6/30/2001	7,450,000.00	8,274,322.52	15,724,322.52	0.00	0.00	0.00
6/30/2002	7,500,000.00	7,985,392.52	15,485,392.52	0.00	0.00	0.00
6/30/2003	7,825,000.00	7,678,780.02	15,503,780.02	0.00	0.00	0.00
6/30/2004	8,195,000.00	7,349,112.52	15,544,112.52	0.00	0.00	0.00
6/30/2005	8,677,419.84	7,058,572.52	15,735,992.36	0.00	0.00	0.00
6/30/2006	9,210,220.77	6,735,428.30	15,945,649.07	0.00	0.00	0.00
6/30/2007	9,651,240.53	6,319,295.24	15,970,535.77	0.00	0.00	0.00
6/30/2008	10,127,787.76	5,872,710.57	16,000,498.33	0.00	0.00	0.00
6/30/2009	10,629,887.70	5,395,396.48	16,025,284.18	0.00	0.00	0.00
6/30/2010	6,907,566.82	4,988,618.35	11,896,185.17	0.00	0.00	0.00
6/30/2011	7,270,852.84	4,643,498.51	11,914,351.35	0.00	0.00	0.00
6/30/2012	7,694,774.81	4,258,274.15	11,953,048.96	0.00	0.00	0.00
6/30/2013	8,124,363.17	3,841,795.08	11,966,158.25	0.00	0.00	0.00
6/30/2014	8,594,649.81	3,398,226.16	11,992,875.97	0.00	0.00	0.00
6/30/2015	8,906,235.89	2,939,955.98	11,846,191.87	0.00	0.00	0.00
6/30/2016	9,225,000.00	2,487,106.25	11,712,106.25	0.00	0.00	0.00
6/30/2017	9,710,000.00	2,021,668.75	11,731,668.75	0.00	0.00	0.00
6/30/2018	10,235,000.00	1,531,462.50	11,766,462.50	0.00	0.00	0.00
6/30/2019	10,780,000.00	1,015,018.75	11,795,018.75	0.00	0.00	0.00
6/30/2020	8,365,000.00	543,431.25	8,908,431.25	0.00	0.00	0.00
6/30/2021	6,735,000.00	168,375.00	6,903,375.00	0.00	0.00	0.00
6/30/2022	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2023	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2024	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2025	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2026	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00
Total	$189,995,000	$102,232,454	$292,227,454	$0	$0	$0

San Joaquin County
Detailed Non-POB Debt Service

Period Ending	Notes Payable Principal	Notes Payable Interest	Notes Payable Debt Service	1993 COPs Principal	1993 COPs Interest	1993 COPs Debt Service	1999 Refunding COPs (General Hospital Project) Principal	1999 Refunding COPs (General Hospital Project) Interest	1999 Refunding COPs (General Hospital Project) Debt Service
6/30/2000	0.00	0.00	0.00	4,130,000.00	3,623,163.76	7,753,163.76	4,050,000.00	4,102,848.96	8,152,848.96
6/30/2001	0.00	0.00	0.00	4,210,000.00	3,452,153.76	7,662,153.76	3,240,000.00	4,822,168.76	8,062,168.76
6/30/2002	0.00	0.00	0.00	4,155,000.00	3,274,411.26	7,429,411.26	3,345,000.00	4,710,981.26	8,055,981.26
6/30/2003	0.00	0.00	0.00	4,365,000.00	3,089,048.76	7,454,048.76	3,460,000.00	4,589,731.26	8,049,731.26
6/30/2004	0.00	0.00	0.00	4,605,000.00	2,889,406.26	7,494,406.26	3,590,000.00	4,459,706.26	8,049,706.26
6/30/2005	112,419.84	66,220.00	178,639.84	4,845,000.00	2,674,358.76	7,519,358.76	3,720,000.00	4,317,993.76	8,037,993.76
6/30/2006	230,220.77	124,463.91	354,684.68	5,105,000.00	2,444,870.63	7,549,870.63	3,875,000.00	4,166,093.76	8,041,093.76
6/30/2007	241,240.53	113,447.11	354,687.64	5,385,000.00	2,200,270.00	7,585,270.00	4,025,000.00	4,005,578.13	8,030,578.13
6/30/2008	252,787.76	101,903.07	354,690.83	5,685,000.00	1,937,282.50	7,622,282.50	4,190,000.00	3,833,525.00	8,023,525.00
6/30/2009	264,887.70	89,806.48	354,694.18	5,995,000.00	1,653,965.00	7,648,965.00	4,370,000.00	3,651,625.00	8,021,625.00
6/30/2010	277,566.82	77,130.85	354,697.67	2,075,000.00	1,455,212.50	3,530,212.50	4,555,000.00	3,456,275.00	8,011,275.00
6/30/2011	290,852.84	63,848.51	354,701.35	2,220,000.00	1,347,837.50	3,567,837.50	4,760,000.00	3,231,812.50	7,991,812.50
6/30/2012	304,774.81	49,930.40	354,705.21	2,380,000.00	1,226,887.50	3,606,887.50	5,010,000.00	2,981,456.25	7,991,456.25
6/30/2013	319,363.17	35,345.08	354,708.25	2,545,000.00	1,091,450.00	3,636,450.00	5,260,000.00	2,715,000.00	7,975,000.00
6/30/2014	334,649.81	20,063.66	354,713.47	2,720,000.00	946,662.50	3,666,662.50	5,540,000.00	2,431,500.00	7,971,500.00
6/30/2015	171,235.89	4,049.73	175,285.62	2,905,000.00	802,868.75	3,707,868.75	5,830,000.00	2,133,037.50	7,963,037.50
6/30/2016	0.00	0.00	0.00	3,085,000.00	660,606.25	3,745,606.25	6,140,000.00	1,826,500.00	7,966,500.00
6/30/2017	0.00	0.00	0.00	3,265,000.00	509,793.75	3,774,793.75	6,445,000.00	1,511,875.00	7,956,875.00
6/30/2018	0.00	0.00	0.00	3,470,000.00	349,837.50	3,819,837.50	6,765,000.00	1,181,625.00	7,946,625.00
6/30/2019	0.00	0.00	0.00	3,675,000.00	180,143.75	3,855,143.75	7,105,000.00	834,875.00	7,939,875.00
6/30/2020	0.00	0.00	0.00	1,955,000.00	46,431.25	2,001,431.25	6,410,000.00	497,000.00	6,907,000.00
6/30/2021	0.00	0.00	0.00				6,735,000.00	168,375.00	6,903,375.00
6/30/2022	0.00	0.00	0.00						
6/30/2023	0.00	0.00	0.00						
6/30/2024	0.00	0.00	0.00						
6/30/2025	0.00	0.00	0.00						
6/30/2026	0.00	0.00	0.00						
6/30/2027	0.00	0.00	0.00						
6/30/2028	0.00	0.00	0.00						
6/30/2029	0.00	0.00	0.00						
6/30/2030	0.00	0.00	0.00						
6/30/2031	0.00	0.00	0.00						
6/30/2032	0.00	0.00	0.00						
Total	$2,800,000	$746,209	$3,546,209	$78,775,000	$35,856,662	$114,631,662	$108,420,000	$65,629,583	$174,049,583

Stanislaus County

Stanislaus County
Overall Debt Service

Period Ending	Total Non-POB DS Principal	Interest	Debt Service	Total POB DS Principal	Interest	Debt Service
6/30/2000	3,890,000.00	5,789,826.28	9,679,826.28	4,055,000.00	7,376,476.25	11,431,476.25
6/30/2001	4,845,000.00	5,596,047.53	10,441,047.53	4,355,000.00	7,075,818.75	11,430,818.75
6/30/2002	5,075,000.00	5,291,662.53	10,366,662.53	4,680,000.00	6,752,817.50	11,432,817.50
6/30/2003	5,310,000.00	5,003,600.64	10,313,600.64	5,025,000.00	6,405,863.75	11,430,863.75
6/30/2004	5,565,000.00	4,473,406.26	10,038,406.26	5,395,000.00	6,033,348.75	11,428,348.75
6/30/2005	5,830,000.00	5,681,304.71	11,511,304.71	5,795,000.00	5,633,306.25	11,428,306.25
6/30/2006	6,100,000.00	5,547,574.26	11,647,574.26	6,225,000.00	5,203,591.25	11,428,591.25
6/30/2007	8,030,000.00	5,231,079.77	13,261,079.77	6,690,000.00	4,741,880.00	11,431,880.00
6/30/2008	8,355,000.00	4,889,490.15	13,244,490.15	7,185,000.00	4,245,848.75	11,430,848.75
6/30/2009	7,270,000.00	4,526,925.40	11,796,925.40	7,720,000.00	3,712,995.00	11,432,995.00
6/30/2010	7,575,000.00	4,215,735.78	11,790,735.78	8,290,000.00	3,140,637.50	11,430,637.50
6/30/2011	7,900,000.00	3,882,643.90	11,782,643.90	8,905,000.00	2,525,916.25	11,430,916.25
6/30/2012	8,245,000.00	3,524,479.01	11,769,479.01	9,565,000.00	1,865,613.75	11,430,613.75
6/30/2013	7,050,000.00	3,136,762.00	10,186,762.00	10,275,000.00	1,156,333.75	11,431,333.75
6/30/2014	7,375,000.00	2,805,762.01	10,180,762.01	11,035,000.00	394,501.25	11,429,501.25
6/30/2015	7,715,000.00	2,452,037.51	10,167,037.51	0.00	0.00	0.00
6/30/2016	8,095,000.00	2,073,955.01	10,168,955.01	0.00	0.00	0.00
6/30/2017	8,495,000.00	1,674,607.01	10,169,607.01	0.00	0.00	0.00
6/30/2018	7,865,000.00	1,252,983.00	9,117,983.00	0.00	0.00	0.00
6/30/2019	3,945,000.00	869,860.00	4,814,860.00	0.00	0.00	0.00
6/30/2020	2,320,000.00	736,035.01	3,056,035.01	0.00	0.00	0.00
6/30/2021	2,425,000.00	639,922.52	3,064,922.52	0.00	0.00	0.00
6/30/2022	2,525,000.00	538,131.89	3,063,131.89	0.00	0.00	0.00
6/30/2023	2,630,000.00	430,823.76	3,060,823.76	0.00	0.00	0.00
6/30/2024	2,740,000.00	315,656.27	3,055,656.27	0.00	0.00	0.00
6/30/2025	2,860,000.00	193,156.28	3,053,156.28	0.00	0.00	0.00
6/30/2026	2,985,000.00	65,296.89	3,050,296.89	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00
Total	$153,015,000	$80,838,765	$233,853,765	$105,195,000	$66,264,949	$171,459,949

Stanislaus County
Detailed Non-POB Debt Service

Period Ending	1992 Series A Principal	1992 Series A Interest	1992 Series A Debt Service	1992 Series B Principal	1992 Series B Interest	1992 Series B Debt Service	1995 Refunding COP Principal	1995 Refunding COP Interest	1995 Refunding COP Debt Service
6/30/2000	305,000.00	401,770.00	706,770.00	445,000.00	169,903.76	614,903.76	950,000.00	486,095.00	1,436,095.00
6/30/2001	320,000.00	382,250.00	702,250.00	465,000.00	146,763.76	611,763.76	995,000.00	445,245.00	1,440,245.00
6/30/2002	345,000.00	361,450.00	706,450.00	490,000.00	121,770.00	611,770.00	1,035,000.00	401,465.00	1,436,465.00
6/30/2003	365,000.00	338,680.00	703,680.00	520,000.00	94,820.00	614,820.00	1,085,000.00	354,890.00	1,439,890.00
6/30/2004	0.00	0.00	0.00	550,000.00	65,700.00	615,700.00	1,135,000.00	304,980.00	1,439,980.00
6/30/2005	0.00	0.00	0.00	580,000.00	34,075.00	614,075.00	1,185,000.00	251,635.00	1,436,635.00
6/30/2006	0.00	0.00	0.00	0.00	0.00	0.00	1,245,000.00	194,755.00	1,439,755.00
6/30/2007	0.00	0.00	0.00	0.00	0.00	0.00	1,305,000.00	133,750.00	1,438,750.00
6/30/2008	0.00	0.00	0.00	0.00	0.00	0.00	1,370,000.00	68,500.00	1,438,500.00
6/30/2009	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2011	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2012	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2013	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2014	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2015	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2016	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2024	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2026	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	$1,335,000	$1,484,150	$2,819,150	$3,050,000	$633,033	$3,683,033	$10,305,000	$2,641,315	$12,946,315

Stanislaus County
Detailed Non-POB Debt Service

Period Ending	1996 Refunding COP Principal	1996 Refunding COP Interest	1996 Refunding COP Debt Service	1997 Series A Principal	1997 Series A Interest	1997 Series A Debt Service	1997 Series B Principal	1997 Series B Interest	1997 Series B Debt Service
6/30/2000	1,705,000.00	2,586,077.50	4,291,077.50	405,000.00	642,421.26	1,047,421.26	80,000.00	498,515.00	578,515.00
6/30/2001	1,775,000.00	2,512,762.50	4,287,762.50	425,000.00	623,386.26	1,048,386.26	80,000.00	495,315.00	575,315.00
6/30/2002	1,855,000.00	2,351,631.26	4,206,631.26	450,000.00	602,986.26	1,052,986.26	85,000.00	492,035.00	577,035.00
6/30/2003	1,935,000.00	2,262,137.50	4,197,137.50	470,000.00	580,936.26	1,050,936.26	90,000.00	488,465.00	578,465.00
6/30/2004	2,025,000.00	2,165,950.00	4,190,950.00	490,000.00	557,436.26	1,047,436.26	485,000.00	484,640.00	969,640.00
6/30/2005	2,125,000.00	2,165,950.00	4,290,950.00	520,000.00	532,936.00	1,052,936.00	505,000.00	463,785.00	968,785.00
6/30/2006	2,225,000.00	2,061,826.00	4,286,826.00	540,000.00	506,416.00	1,046,416.00	1,140,000.00	441,565.00	1,581,565.00
6/30/2007	2,350,000.00	1,939,450.00	4,289,450.00	575,000.00	478,336.00	1,053,336.00	1,190,000.00	390,265.00	1,580,265.00
6/30/2008	2,465,000.00	1,821,950.00	4,286,950.00	600,000.00	447,862.00	1,047,862.00	1,245,000.00	335,525.00	1,580,525.00
6/30/2009	2,590,000.00	1,698,700.00	4,288,700.00	630,000.00	415,462.00	1,045,462.00	1,310,000.00	277,010.00	1,587,010.00
6/30/2010	2,720,000.00	1,569,200.00	4,289,200.00	665,000.00	380,812.00	1,045,812.00	1,370,000.00	214,130.00	1,584,130.00
6/30/2011	2,855,000.00	1,433,200.00	4,288,200.00	705,000.00	343,572.00	1,048,572.00	1,435,000.00	147,000.00	1,582,000.00
6/30/2012	2,995,000.00	1,290,450.00	4,285,450.00	745,000.00	303,916.00	1,048,916.00	1,505,000.00	75,250.00	1,580,250.00
6/30/2013	3,155,000.00	1,133,212.00	4,288,212.00	785,000.00	261,450.00	1,046,450.00	0.00	0.00	0.00
6/30/2014	3,320,000.00	967,575.00	4,287,575.00	835,000.00	216,312.00	1,051,312.00	0.00	0.00	0.00
6/30/2015	3,490,000.00	793,275.00	4,283,275.00	880,000.00	168,300.00	1,048,300.00	0.00	0.00	0.00
6/30/2016	3,675,000.00	610,050.00	4,285,050.00	935,000.00	115,500.00	1,050,500.00	0.00	0.00	0.00
6/30/2017	3,870,000.00	417,112.00	4,287,112.00	990,000.00	59,400.00	1,049,400.00	0.00	0.00	0.00
6/30/2018	4,075,000.00	213,938.00	4,288,938.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2024	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2026	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	$51,205,000	$29,994,447	$81,199,447	$11,645,000	$7,237,440	$18,882,440	$10,520,000	$4,803,500	$15,323,500

Stanislaus County
Detailed Non-POB Debt Service

Period Ending	1998 Series A Principal	1998 Series A Interest	1998 Series A Debt Service	2004 Series A Principal	2004 Series A Interest	2004 Series A Debt Service	2004 Series B Principal	2004 Series B Interest	2004 Series B Debt Service
6/30/2000	0.00	1,005,043.76	1,005,043.76	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2001	785,000.00	990,325.01	1,775,325.01	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2002	815,000.00	960,325.01	1,775,325.01	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2003	845,000.00	883,671.88	1,728,671.88	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2004	880,000.00	894,700.00	1,774,700.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2005	915,000.00	858,800.00	1,773,800.00	0.00	492,596.18	492,596.18	0.00	881,527.53	881,527.53
6/30/2006	950,000.00	820,906.00	1,770,906.00	0.00	545,645.00	545,645.00	0.00	976,461.26	976,461.26
6/30/2007	990,000.00	780,275.00	1,770,275.00	580,000.00	540,992.50	1,120,992.50	1,040,000.00	968,011.27	2,008,011.27
6/30/2008	1,030,000.00	737,350.00	1,767,350.00	590,000.00	529,951.25	1,119,951.25	1,055,000.00	948,351.90	2,003,351.90
6/30/2009	1,075,000.00	692,619.00	1,767,619.00	595,000.00	517,360.63	1,112,360.63	1,070,000.00	925,773.77	1,995,773.77
6/30/2010	1,120,000.00	645,275.00	1,765,275.00	610,000.00	504,176.26	1,114,176.26	1,090,000.00	902,142.52	1,992,142.52
6/30/2011	1,170,000.00	594,450.00	1,764,450.00	620,000.00	489,176.26	1,109,176.26	1,115,000.00	875,245.64	1,990,245.64
6/30/2012	1,220,000.00	539,913.00	1,759,913.00	640,000.00	471,438.75	1,111,438.75	1,140,000.00	843,511.26	1,983,511.26
6/30/2013	1,280,000.00	481,300.00	1,761,300.00	655,000.00	452,013.74	1,107,013.74	1,175,000.00	808,786.26	1,983,786.26
6/30/2014	1,340,000.00	419,075.00	1,759,075.00	675,000.00	431,220.00	1,106,220.00	1,205,000.00	771,580.01	1,976,580.01
6/30/2015	1,400,000.00	352,250.00	1,752,250.00	700,000.00	408,001.25	1,108,001.25	1,245,000.00	730,211.26	1,975,211.26
6/30/2016	1,470,000.00	280,500.00	1,750,500.00	720,000.00	382,791.25	1,102,791.25	1,295,000.00	685,113.76	1,980,113.76
6/30/2017	1,545,000.00	205,125.00	1,750,125.00	750,000.00	355,956.25	1,105,956.25	1,340,000.00	637,013.76	1,977,013.76
6/30/2018	1,625,000.00	125,875.00	1,750,875.00	775,000.00	327,356.24	1,102,356.24	1,390,000.00	585,813.76	1,975,813.76
6/30/2019	1,705,000.00	42,625.00	1,747,625.00	800,000.00	296,631.24	1,096,631.24	1,440,000.00	530,603.76	1,970,603.76
6/30/2020	0.00	0.00	0.00	835,000.00	263,931.25	1,098,931.25	1,485,000.00	472,103.76	1,957,103.76
6/30/2021	0.00	0.00	0.00	870,000.00	229,396.26	1,099,396.26	1,555,000.00	410,526.26	1,965,526.26
6/30/2022	0.00	0.00	0.00	905,000.00	192,895.63	1,097,895.63	1,620,000.00	345,236.26	1,965,236.26
6/30/2023	0.00	0.00	0.00	940,000.00	154,490.00	1,094,490.00	1,690,000.00	276,333.76	1,966,333.76
6/30/2024	0.00	0.00	0.00	985,000.00	113,203.13	1,098,203.13	1,755,000.00	202,453.14	1,957,453.14
6/30/2025	0.00	0.00	0.00	1,025,000.00	69,234.38	1,094,234.38	1,835,000.00	123,921.90	1,958,921.90
6/30/2026	0.00	0.00	0.00	1,070,000.00	23,406.25	1,093,406.25	1,915,000.00	41,890.64	1,956,890.64
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	$22,160,000	$12,310,404	$34,470,404	$15,340,000	$7,791,864	$23,131,864	$27,455,000	$13,942,613	$41,397,613

Stanislaus County
Detailed POB Debt Service

Period Ending	1995 Pension Obligation Bonds Principal	Interest	Debt Service
6/30/2000	4,055,000.00	7,376,476.25	11,431,476.25
6/30/2001	4,355,000.00	7,075,818.75	11,430,818.75
6/30/2002	4,680,000.00	6,752,817.50	11,432,817.50
6/30/2003	5,025,000.00	6,405,863.75	11,430,863.75
6/30/2004	5,395,000.00	6,033,348.75	11,428,348.75
6/30/2005	5,795,000.00	5,633,306.25	11,428,306.25
6/30/2006	6,225,000.00	5,203,591.25	11,428,591.25
6/30/2007	6,690,000.00	4,741,880.00	11,431,880.00
6/30/2008	7,185,000.00	4,245,848.75	11,430,848.75
6/30/2009	7,720,000.00	3,712,995.00	11,432,995.00
6/30/2010	8,290,000.00	3,140,637.50	11,430,637.50
6/30/2011	8,905,000.00	2,525,916.25	11,430,916.25
6/30/2012	9,565,000.00	1,865,613.75	11,430,613.75
6/30/2013	10,275,000.00	1,156,333.75	11,431,333.75
6/30/2014	11,035,000.00	394,501.25	11,429,501.25
6/30/2015	0.00	0.00	0.00
6/30/2016	0.00	0.00	0.00
6/30/2017	0.00	0.00	0.00
6/30/2018	0.00	0.00	0.00
6/30/2019	0.00	0.00	0.00
6/30/2020	0.00	0.00	0.00
6/30/2021	0.00	0.00	0.00
6/30/2022	0.00	0.00	0.00
6/30/2023	0.00	0.00	0.00
6/30/2024	0.00	0.00	0.00
6/30/2025	0.00	0.00	0.00
6/30/2026	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00
Total	$105,195,000	$66,264,949	$171,459,949

Tulare County

Period Ending	Total Non-POB DS Principal	Interest	Debt Service	Total POB DS Principal	Interest	Debt Service
6/30/2000	575,000.00	3,837,748.76	4,412,748.76	900,000.00	2,911,542.00	3,811,542.00
6/30/2001	1,626,480.35	3,827,208.41	5,453,688.76	1,150,000.00	2,843,849.50	3,993,849.50
6/30/2002	3,316,971.00	3,789,204.01	7,106,175.01	1,425,000.00	2,757,403.25	4,182,403.25
6/30/2003	3,449,280.30	3,669,930.96	7,119,211.26	1,730,000.00	2,649,711.00	4,379,711.00
6/30/2004	5,997,985.80	3,470,340.46	9,468,326.26	2,070,000.00	2,518,697.50	4,588,697.50
6/30/2005	6,262,574.50	3,185,885.51	9,448,460.01	2,445,000.00	2,361,218.50	4,806,218.50
6/30/2006	6,570,123.20	2,884,213.06	9,454,336.26	2,860,000.00	2,173,195.50	5,033,195.50
6/30/2007	4,145,000.00	2,507,595.00	6,652,595.00	3,320,000.00	1,952,214.50	5,272,214.50
6/30/2008	4,365,000.00	2,297,585.00	6,662,585.00	3,830,000.00	1,695,504.00	5,525,504.00
6/30/2009	4,580,000.00	2,072,415.00	6,652,415.00	4,390,000.00	1,399,117.00	5,789,117.00
6/30/2010	4,920,000.00	1,733,800.00	6,653,800.00	5,000,000.00	1,058,418.50	6,058,418.50
6/30/2011	5,235,000.00	1,479,925.00	6,714,925.00	5,685,000.00	668,631.75	6,353,631.75
6/30/2012	5,495,000.00	1,211,675.00	6,706,675.00	6,270,000.00	230,422.50	6,500,422.50
6/30/2013	4,470,000.00	962,550.00	5,432,550.00	0.00	0.00	0.00
6/30/2014	4,825,000.00	730,175.00	5,555,175.00	0.00	0.00	0.00
6/30/2015	5,065,000.00	482,925.00	5,547,925.00	0.00	0.00	0.00
6/30/2016	6,460,000.00	194,800.00	6,654,800.00	0.00	0.00	0.00
6/30/2017	235,000.00	28,012.50	263,012.50	0.00	0.00	0.00
6/30/2018	245,000.00	17,212.50	262,212.50	0.00	0.00	0.00
6/30/2019	260,000.00	5,850.00	265,850.00	0.00	0.00	0.00
6/30/2020	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2021	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2022	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2023	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2024	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2025	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2026	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00
Total	78,098,415.15	38,389,051.17	116,487,466.32	41,075,000.00	25,219,925.50	66,294,925.50

Tulare County
Overall Debt Service

Tulare County
Detailed Non-POB Debt Service

Period	Unrefunded 1992 Series A			Unrefunded 1996 Series A			1998 Series A		
Ending	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service
6/30/2000	0.00	447,370.00	447,370.00	575,000.00	1,276,443.76	1,851,443.76	0.00	2,113,935.00	2,113,935.00
6/30/2001	0.00	447,370.00	447,370.00	845,000.00	1,249,418.76	2,094,418.76	781,480.35	2,130,419.65	2,911,900.00
6/30/2002	0.00	447,370.00	447,370.00	2,335,000.00	1,208,858.76	3,543,858.76	981,971.00	2,132,975.25	3,114,946.25
6/30/2003	0.00	447,370.00	447,370.00	2,465,000.00	1,092,108.76	3,557,108.76	984,280.30	2,130,452.20	3,114,732.50
6/30/2004	2,430,000.00	378,115.00	2,808,115.00	2,585,000.00	966,393.76	3,551,393.76	982,985.80	2,125,831.70	3,108,817.50
6/30/2005	2,570,000.00	234,330.00	2,804,330.00	2,710,000.00	831,973.76	3,541,973.76	982,574.50	2,119,581.75	3,102,156.25
6/30/2006	2,720,000.00	79,900.00	2,799,900.00	2,865,000.00	689,698.76	3,554,698.76	985,123.20	2,114,614.30	3,099,737.50
6/30/2007	0.00	0.00	0.00	3,015,000.00	535,705.00	3,550,705.00	1,130,000.00	1,971,890.00	3,101,890.00
6/30/2008	0.00	0.00	0.00	3,185,000.00	369,880.00	3,554,880.00	1,180,000.00	1,927,705.00	3,107,705.00
6/30/2009	0.00	0.00	0.00	3,360,000.00	191,520.00	3,551,520.00	1,220,000.00	1,880,895.00	3,100,895.00
6/30/2010	0.00	0.00	0.00	0.00	0.00	0.00	4,920,000.00	1,733,800.00	6,653,800.00
6/30/2011	0.00	0.00	0.00	0.00	0.00	0.00	5,235,000.00	1,479,925.00	6,714,925.00
6/30/2012	0.00	0.00	0.00	0.00	0.00	0.00	5,495,000.00	1,211,675.00	6,706,675.00
6/30/2013	0.00	0.00	0.00	0.00	0.00	0.00	4,470,000.00	962,550.00	5,432,550.00
6/30/2014	0.00	0.00	0.00	0.00	0.00	0.00	4,825,000.00	730,175.00	5,555,175.00
6/30/2015	0.00	0.00	0.00	0.00	0.00	0.00	5,065,000.00	482,925.00	5,547,925.00
6/30/2016	0.00	0.00	0.00	0.00	0.00	0.00	6,460,000.00	194,800.00	6,654,800.00
6/30/2017	0.00	0.00	0.00	0.00	0.00	0.00	235,000.00	28,012.50	263,012.50
6/30/2018	0.00	0.00	0.00	0.00	0.00	0.00	245,000.00	17,212.50	262,212.50
6/30/2019	0.00	0.00	0.00	0.00	0.00	0.00	260,000.00	5,850.00	265,850.00
6/30/2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2024	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2026	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	7,720,000.00	2,481,825.00	10,201,825.00	23,940,000.00	8,412,001.32	32,352,001.32	46,438,415.15	27,495,224.85	73,933,640.00

	Tulare County Detailed POB Debt Service		
Period Ending	**Principal**	**1999 POBs** **Interest**	**Debt Service**
6/30/2000	900,000.00	2,911,542.00	3,811,542.00
6/30/2001	1,150,000.00	2,843,849.50	3,993,849.50
6/30/2002	1,425,000.00	2,757,403.25	4,182,403.25
6/30/2003	1,730,000.00	2,649,711.00	4,379,711.00
6/30/2004	2,070,000.00	2,518,697.50	4,588,697.50
6/30/2005	2,445,000.00	2,361,218.50	4,806,218.50
6/30/2006	2,860,000.00	2,173,195.50	5,033,195.50
6/30/2007	3,320,000.00	1,952,214.50	5,272,214.50
6/30/2008	3,830,000.00	1,695,504.00	5,525,504.00
6/30/2009	4,390,000.00	1,399,117.00	5,789,117.00
6/30/2010	5,000,000.00	1,058,418.50	6,058,418.50
6/30/2011	5,685,000.00	668,631.75	6,353,631.75
6/30/2012	6,270,000.00	230,422.50	6,500,422.50
6/30/2013	0.00	0.00	0.00
6/30/2014	0.00	0.00	0.00
6/30/2015	0.00	0.00	0.00
6/30/2016	0.00	0.00	0.00
6/30/2017	0.00	0.00	0.00
6/30/2018	0.00	0.00	0.00
6/30/2019	0.00	0.00	0.00
6/30/2020	0.00	0.00	0.00
6/30/2021	0.00	0.00	0.00
6/30/2022	0.00	0.00	0.00
6/30/2023	0.00	0.00	0.00
6/30/2024	0.00	0.00	0.00
6/30/2025	0.00	0.00	0.00
6/30/2026	0.00	0.00	0.00
6/30/2027	0.00	0.00	0.00
6/30/2028	0.00	0.00	0.00
6/30/2029	0.00	0.00	0.00
6/30/2030	0.00	0.00	0.00
6/30/2031	0.00	0.00	0.00
6/30/2032	0.00	0.00	0.00
Total	41,075,000.00	25,219,925.50	66,294,925.50

APPENDIX E
Rating Benchmarks

CATEGORY	RATIOS (without POB)	Stanislaus County Ratio (FY 2005)	Moody's 2003 Median Benchmark (CA Counties)	Moody's 2005 Local Government National Medians	S&P 2005 Public Finance Criteria Benchmark (Counties over 150,000)	S&P 2006 Medians (all A-rated US Counties)[1]	Peer Group Median Benchmark (FY 2005)	Comments
ECONOMIC	AV per Capita	$57,296	$79,048	$50,107	34.5k low; 47.6-71.2k mod; 90.9k high	$51,742	$55,317	A higher ratio is preferred.
	Top 10 taxpayer concentration	4.6%	N.A.	N.A.	2.1% low; 3.3-6.6% mod; 10.2% high	8.6%	5.4%	A higher ratio is preferred.
	Per Capita EBI as % of State	76.8%	85.5%	N.A.	N.A.	N.A.	65.3%	A higher ratio is preferred.
	Per Capita EBI as % of U.S.	76.6%	89.9%	N.A.	82% low; 90-109% mod; 123% high	92.0%	65.2%	A higher ratio is preferred.
	Median Family EBI as % of State	86.1%	87.7%	N.A.	N.A.	N.A.	78.8%	A higher ratio is preferred.
	Median Family EBI as % of U.S.	96.2%	92.9%	N.A.	84% low; 90-109% mod; 132% high	93.0%	88.0%	A higher ratio is preferred.
FINANCIAL	Tot. GF Bal as % of GF Rev	37.1%	20.7%	11.0%	7.8% low; 11.7-23.9% adequate; >35% high	16.2%	17.0%	Higher balances are preferred.
	Unreserved GF Bal as % of GF Rev	25.4%	14.7%	N.A.	5.7% low; 8.4-18.9% adequate; >29.7% high	12.7%	11.0%	Higher balances are preferred.
	Unreserved, Undesignated GF Bal as % of GF Rev	15.3%	N.A.	6.8%	N.A.	N.A.	8.7%	Higher balances are preferred.
DEBT	Debt to AV	0.4%	0.5%	0.5%	0.2% low; 0.2-0.7% mod; >1.2% high	0.6%	0.2%	Ratio computed without POB; lower ratios are preferred.
	Debt per Capita	$243	N.A.	N.A.	$65 low; $117-400 mod; $651 high	$266	$121	Ratio computed without POB; lower ratios are preferred.
	Debt per Capita as % of Per Capita Income	1.7%	N.A.	N.A.	N.A.	N.A.	1.0%	Ratio computed without POB; lower ratios are preferred.
	Debt Service per GF Exp	5.8%	N.A.	N.A.	N.A.	6.5%	1.3%	Ratio computed without POB; lower ratios are preferred.
	Debt Amortization Schedule	67.5%	N.A.	N.A.	38.8% low; 48.8-73.0% mod; >80.7% high	61.7% over 10yrs	60.9%	Ratio computed without POB; preference depends.

[1] Counties with population over 150,000

APPENDIX F

Standard & Poor's and Moody's Investors Services Rating Definitions

Standard & Poor's – Definitions of Bond Ratings

A plus (+) or minus (-) may be added to ratings from AA to CCC to denote relative standing within the major rating categories.

Long-Term Issue Credit Ratings

AAA	An obligor rated AAA has extremely strong capacity to meet its financial commitments. AAA is the highest Issuer Credit Rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is very strong.
AA	An obligor rated AA has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only in small degree.
A	An obligor rated A has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.
BBB	An obligor rated BBB has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. Obligors rated BB, B, CCC, and CC are regarded as having significant speculative characteristics. BB indicates the least degree of speculation and CC the highest. While such obligors will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.
BB	An obligor rated BB is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.
B	An obligor rated B is more vulnerable than the obligors rated BB, but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.
CCC	An obligor rated CCC is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.

CC	An obligor rated CC is currently highly vulnerable.
D	An obligation rated D is in payment default.

A rating outlook is assigned to all long-term debt issues-except for structured finance- and also assesses potential for change. An outlook is not necessarily a precursor of a rating change. Outlooks are assigned as follows:

Positive	Indicates a rating may be raised.
Negative	Indicates a rating may be lowered.
Developing	Used for those unusual situations in which future events are so unclear that the rating potentially may be raised or lowered.
Stable	Assigned when ratings are not likely to be changed, but should not be confused with expected stability of the company's financial performance

The letter **'P'** indicates that the rating is provisional. A provisional rating assumes the successful completion of the project financed by the debt being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful, timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, makes no comment on the likelihood of or the risk of default upon failure of such completion. The investor should exercise his own judgment with respect to such likelihood and risk.

The letter **'L'** indicates that the rating pertains to the principal amount of those bonds to the extent that the underlying deposit collateral is federally insured and interest is adequately collateralized. In the case of certificates of deposit, the 'L' indicates that the deposit, combined with other deposits being held in the same right and capacity, will be honored for principal and pre-default interest up to federal insurance limits within 30 days after closing the deposit is assumed by a successor insured institution, upon maturity.

The symbol **'*'** indicates that continuance of the rating is contingent upon Standard & Poor's receipt of an executed copy of the escrow agreement or closing documentation confirming investments and cash flow.

The **'r'** subscript highlights derivative, hybrid, and certain other obligations that Standard & Poor's believes may experience high volatility or high variability in expected returns as a result of noncredit risks. Examples of such obligations are securities with principal or interest return indexed to equities, commodities, or currencies; certain swaps and options; and interest-only and principal-only mortgage securities. The absence of an 'r' symbol should not be taken as an indication that an obligation will exhibit no volatility or variability in total return.

The **'c'** subscript is used to provide additional information to investors that the bank may terminate its obligation to purchase tendered bonds if the long-term credit rating of the issuer is reduced below an investment-grade level and/or the issuer's bonds are deemed taxable.

NR - Not Rated

Source: www.treasurer.ca.gov

Moody's Investors Services Ratings Definitions

Keys to Moody's Municipal Ratings
Moody's ratings provide investors with a simple system of gradation by which the relative credit risk of debt instruments is noted.

Nine symbols are used to designate lease credit risk to great risk:

Aaa Aa A Baa Ba B Caa Ca C

Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. Bonds in each rating group with the strongest investment attributes are designated by the "1" modifier, as in Aa1, A1 or Baa1. The numerical modifier 2 indicates that the security is in the mid-range of its category, while a 3 indicates that the bond is in the lower end of its generic category.

Advance-refunded issues that are secured by escrowed funds held in cash, held in trust, or reinvested in direct, noncallable U.S. Government obligations or noncallable obligations unconditionally guaranteed by the U.S. Government are identified with a #(hatchmark) symbol, i.e., **#Aaa.**

There are three rating categories for short-term municipal obligations that are considered investment grade. These ratings are designated as Municipal Investment Grade (MIG) and are divided into three levels --- **MIG1** through **MIG3**. In addition, those short-term obligations that are of speculative quality are designated SG, or speculative grade. MIG ratings expire at the maturity of the obligation. Similar to our short-term **MIG** ratings are Moody's commercial paper ratings. Moody's assigns "Prime" ratings to commercial paper, ranging from **P-1** at the high end to **P-3** at the low end. Commercial paper issues not considered by Moody's to fall within these investment-grade categories are rated Not Prime or **NP**.

In the case of variable rate demand obligations (VRDOs), a two-component rating is assigned – a long or short-term debt rating and a demand obligation rating. The first element represents Moody's evaluation of the degree of risk associated with scheduled principal and interest payments. The second element represents Moody's evaluation of the degree of risk associated with the ability to receive purchase price upon demand ("demand feature"), using a variation of the MIG rating scale, the Variable Municipal Investment Grade or **VMIG** rating. VMIG rating expirations are a function of each issue's specific structural or credit features.

Issues that are subject to periodic reoffer and resale in the secondary market in a "Dutch auction" are assigned a long-term rating based only on Moody's assessment of the ability and willingness of the issuer to make timely principal and interest payments. Moody's expresses no opinion as to the ability of the holder to sell the security in a secondary market "Dutch auction." Such issues are identified by the insertion of the words "Dutch auction" into the name of the issue.

Definitions of Long-Term Bond Ratings

Aaa

Issuers or issues rated Aaa demonstrate the strongest creditworthiness relative to other U.S. municipal or tax-exempt issuers or issues.

Aa

Issuers or issues rated Aa demonstrate very strong creditworthiness relative to other U.S. municipal or tax-exempt issuers or issues.

A

Issuers or issues rated A demonstrate above-average creditworthiness relative to other U.S. municipal or tax-exempt issuers or issues.

Baa

Issuers or issues rated Baa demonstrate average creditworthiness relative to other U.S. municipal or tax-exempt issuers or issues.

Ba

Issuers or issues rated Ba demonstrate below-average creditworthiness relative to other U.S. municipal or tax-exempt issuers or issues.

B

Issuers or issues rated B demonstrate weak creditworthiness relative to other U.S. municipal or tax-exempt issuers or issues.

Caa

Issuers or issues rated Caa demonstrate very weak creditworthiness relative to other U.S. municipal or tax-exempt issuers or issues.

Ca
Issuers or issues rated Ca demonstrate extremely weak creditworthiness relative to other U.S. municipal or tax-exempt issuers or issues.

C
Issuers or issues rated C demonstrate the weakest creditworthiness relative to other U.S. municipal or tax-exempt issuers or issues.

Source: Moody's Investors Services, Guide to Moody's Ratings, Rating Process and Rating Practices, June 2004

APPENDIX G

Rating Equivalents for Standard & Poor's and Moody's Investors Services

Investment Grade:	Moody's	Standard and Poors
Exceptional	Aaa, Aaa1, Aaa2, Aaa3	AAA, AAA-, AA+
Excellent	Aa, Aa1, Aa2, Aa3	AA, AA-, A+
Good	A, A1, A2, A3	A, A-, BBB+
Adequate	Baa, Baa1, Baa2, Baa3	BBB, BBB-, BB+
Speculative Grade:		
Questionable	Ba, Ba1, Ba2, Ba3	BB, BB-, B+
Poor	B, B1, B2, B3	B, B-, CCC+
Very Poor	Caa, Caa1, Caa2, Caa3	CCC, CCC-, CC+
Extremely Poor	Ca, Ca1, Ca2, Ca3	CC, CC-, C+
Lowest	C	C

Source: www.1031commericialproperties.com/standard&poors.htm

APPENDIX H

Linear Regression Output and Methodology[97]

Projections for Assessed Valuation, Population & General Fund Expenditure				
Fiscal Year	AV (billions, various growth)	AV (billions, 3.00%)	Population Projection	GF Expenditure
1990	$11.90	$11.90	373,600	
1991	$13.75	$13.75	388,134	
1992	$15.05	$15.05	397,341	
1993	$15.89	$15.89	405,859	
1994	$16.75	$16.75	410,698	
1995	$17.05	$17.05	415,341	$105,839,649
1996	$17.43	$17.43	419,639	$114,275,792
1997	$17.67	$17.67	426,734	$121,469,198
1998	$18.05	$18.05	431,370	$134,964,560
1999	$18.46	$18.46	440,908	$141,446,452
2000	$19.28	$19.28	446,997	$157,588,291
2001	$20.48	$20.48	458,697	$160,850,884
2002	$22.14	$22.14	472,797	$183,498,601
2003	$24.13	$24.13	484,652	$186,197,743
2004	$26.33	$26.33	494,822	$189,045,701
2005	$28.90	$28.90	504,482	$197,586,648
2006	$33.23	$33.23	511,909	$212,306,326
2007	$35.46	$34.23	521,691	$222,054,315
2008	$37.84	$35.25	531,473	$231,802,304
2009	$40.38	$36.31	541,254	$241,550,293
2010	$41.60	$37.40	551,036	$251,298,282
2011	$42.84	$38.52	560,818	$261,046,271
2012	$44.13	$39.68	570,599	$270,794,260
2013	$45.45	$40.87	580,381	$280,542,249
2014	$46.82	$42.10	590,163	$290,290,238
2015	$48.22	$43.36	599,944	$300,038,227
2016	$49.67	$44.66	609,726	$309,786,216
2017	$51.16	$46.00	619,508	$319,534,205
2018	$52.69	$47.38	629,289	$329,282,194
2019	$54.27	$48.80	639,071	$339,030,183
2020	$55.90	$50.26	648,853	$348,778,172
2021	$57.58	$51.77	658,635	$358,526,161
2022	$59.30	$53.33	668,416	$368,274,150
2023	$61.08	$54.93	678,198	$378,022,139
2024	$62.92	$56.57	687,980	$387,770,128
2025	$64.80	$58.27	697,761	$397,518,117
2026	$66.75	$60.02	707,543	$407,266,106
2027	$68.75	$61.82	717,325	$417,014,095
2028	$70.81	$63.67	727,106	$426,762,084
2029	$72.94	$65.58	736,888	$436,510,073
2030	$75.13	$67.55	746,670	$446,258,062
2040	$100.96	$69.58	844,487	$543,737,951
2050	$135.68	$71.67	942,304	$641,217,841

97 All the data in red font are projected. The highlighted AV data is projected at the 15-year historical annual AV growth rate (6.7%); the rest are projected at an annual growth rate of 3% from the previous year.

POPULATION REGRESSION DATA	
SUMMARY OUTPUT	
Regression Statistics	
Multiple R	0.992247008
R Square	0.984554125
Adjusted R Square	0.982623391
Standard Error	3934.437413
Observations	10
ANOVA	
	df
Regression	1
Residual	8
Total	9
	Coefficients
Intercept	-19110174.99
X Variable 1	9781.696969

GF REGRESSION DATA	
SUMMARY OUTPUT	
Regression Statistics	
Multiple R	0.98801963
R Square	0.97618279
Adjusted R Square	0.973205639
Standard Error	4889639.925
Observations	10
ANOVA	
	df
Regression	1
Residual	8
Total	9
	Coefficients
Intercept	-19342159546
X Variable 1	9747988.969

APPENDIX I
Glossary of Terms and Definitions

Abatement: This is a legal concept whereby the lessee of a facility reduces its rent (or COP payment) proportionately or totally to the extent that it does not have use of a leased asset.

Amortization: (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

Assessed Value (or Assessed Valuation): A valuation set upon real estate or other property by the government as a basis for levying taxes.

Assessed Value per Capita: Total Assessed Value divided by population for the local government as of the fiscal year or the most recently available data.

Auditor's Report: In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

Balance Sheet: The financial statement disclosing the assets, liabilities and equity of an entity at a specified date in conformity with GAAP.

Basic Financial Statements: The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Basis of Accounting: A term used to refer to when revenues, expenditures, expenses, and transfers – and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

Budget: A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "Budget" is used in tow senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the pan finally approved by that body.

Budgetary Control: The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

Capital Lease: An agreement that conveys the right to use property, plant, or equipment, usually for a stated period of time. Ownership of the leased property usually transfers to the lessee at the end of the lease term.

Certificate of Achievement for Excellence in Financial Reporting Program: A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFR's and to provide technical assistance and peer recognition to the finance officers preparing them.

Comprehensive Annual Financial Report (CAFR): A financial report that encompasses all funds and component units of the government. The CAFR should contain (a) the basic financial statements and required supplementary information, (B) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental units' official annual report and also should contain introductory information, schedule necessary to demonstrate compliance with finance-related legal and contractual provision, and statistical data.

Credit Risk: The risk that an issuer or counter-party to an investment will not fulfill its obligations.

Debt: An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants, and notes.

Debt Burden: Overall net debt as a percentage of the total AV of the local government (Moody's Medians for California Counties, 2003).

Debt capacity: The affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information: The environment within which the County's financial activities take place

Direct Net Debt (or Direct Debt): Total amount outstanding of tax-supported GO bonds, lease rental bonds, COPs secured by lease payments, capital leases paid from governmental funds and internal service funds, special assessment debt with a contingent county obligation, and other tax-supported bonded obligation, less GO bonds and lease obligations with are self-supporting from non-general fund sources such as utility revenues or tax increment revenues (Moody's Medians For California Counties, 2003)

Debt Service Fund: A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Deficit: (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

Designated Fund Balance: A portion of an unreserved fund balance that has been "earmarked" by the chief executive officer or the legislative body for specified purposes.

Discretionary Revenue: Accounts for over 63% of General Fund Revenue. VLF, Secured Property Taxes, Public Safety Sales Tax (Prop 172), and Sales and Use Taxes account for over 89% of discretionary revenue (Stanislaus County FY 2004 Budget).

Effective Buying Income (EBI): EBI is defined as money income less personal tax and non-tax payments—a number often referred to as "disposable" or "after-tax" income (Survey of Buying Power and Media Markets, 2002)

Enterprise Fund: Set up for specific services that are funded directly by fees charged for goods or services. For example, Behavioral Health Center, Emergency Dispatch, the Health Services Agency Clinic and Ancillary Services, the landfills and the local transit system.

Expenditures: Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlement and shared revenues.

Expenses: Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operation.

External Auditors: Independent auditors typically engaged to conduct an audit of a government's financial statements.

Financial Trends: How the County's financial performance and well-being have changed over time

Fund: A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities of attain certain objectives in accordance with special regulation, restricts or limitations.

Fund Balance: The difference between fund assets and fund liabilities of governmental and similar trust funds.

Fund Type: Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

Generally Accepted Accounting Principles (GAAP): The convention, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for the state and local government area set forth by SAS No. 69, The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's report.

General Fund (GF): One of five governmental fund types and typically serves as the chief operating fund of the government. Pays for core services like public safety, parks and recreation, planning and community development, justice administration, tax assessment and collection etc. Revenues come from local taxes. For example, Property and sales tax, VLF, franchise fees, charges for services etc.

GF Balance as % of Revenue: Total GF balance divided by total GF revenues and other sources of funds.

General Revenues: All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax. For example, property tax, sales tax, transient occupancy tax. All other non-tax revenues (including interest, grants and contributing) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

Governmental Accounting Standard Board (GASB): The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

Household: A household consists of all the people occupying a single housing unit under the 2000 Census rules. A housing unit is defined as a house, an apartment, a mobile home, a group of rooms, or a single room. In addition, the members of a household need not be related, and a single personal living alone in a housing unit is also considered a household (Survey of Buying Power and Media Markets, 2002)

Infrastructure: Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

Interfund Transfers: Flow of assets (such as cash or goods) between fund and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

Liabilities: Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

Median Family Income or Median Household EBI: Computed by dividing EBI by Number of Households (See "Household" definition above).

Median Family Income as % of State: Median Family Income for the local government divided by Median Family Income for the state.

.**Median Family Income as % of U.S.:** Median Family Income for the local government divided by Median Family Income for the United States.

Operating Lease: A lease that does not transfer ownership rights, risks, and rewards from the lessor to the lessee; the lease is called an operational lease and is similar to a rental.

Overlapping Debt: The proportionate share property each government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed valued of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable In each jurisdiction, which will be used wholly or in pear to pay off the debt, to total assessments, which will be used wholly or in part for this purpose.

Per capita personal income: Personal income is the income that is received by persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance. This measure of income is calculated as the personal income of the residents of a given area divided by the resident population of the area. In computing per capita personal income, BEA uses the Census Bureau's annual midyear population estimates (Bureau of Economic Accounts, www.bea.gov).

Per Capita Income as % of State: Per Capita Income for the local government divided by Per Capita Income for the state.

Per Capita Income as % of U.S.: Per Capita Income for the local government divided by Per Capita Income for the Unites States.

R-squared Value: This is typically called the correlation coefficient of a linear regression (see below). Its value ranges from 0 to 1 and the closer it is to 1, the better the fit.

Linear Regression: This is a statistical procedure that generates the line of best fit to a set of data and provides the relationship between an independent an a dependent variable. The line generated through linear regression is the one with the minimum sum of squared deviations of the actual data from the predicted values.

Revenue Capacity: Most significant local revenue source

Risk Management: All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

Seasonal Adjustment: A statistical technique that attempts to measure and remove the influences of predictable seasonal patterns to reveal how employment and unemployment change from month to month.

Over the course of a year, the size of the labor force, the levels of employment and unemployment, and other measures of labor market activity undergo fluctuations due to seasonal events including changes in weather, harvests, major holidays, and school schedules. Because these seasonal events follow a more or less regular pattern each year, their influence on statistical trends can be eliminated by seasonally adjusting the statistics from month to month. These seasonal adjustments make it easier to observe the cyclical, underlying trend, and other non-seasonal movements in the series.

As a general rule, the monthly employment and unemployment numbers reported in the news are seasonally adjusted data. Seasonally adjusted data are useful when comparing several months of data. Annual average estimates are calculated from the not seasonally adjusted data series (Employment Development Department, www. calmis.ca.gov)

Self-Insurance: A term often used to describe the retention by an entity of a risk loss arising out of the ownership of property or from some other cause, instead of transferring the risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the tern self-insurance is a misnomer.

Special Revenue: Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. For example, Behavioral Health and Recovery Services, the Community Services Agency, Department of Employment and Training, Child Support Services, Environmental Resources, Public Works etc.

Tax and Revenue Anticipation Notes (TRAN's): Notes used in anticipation of the collection of taxes and revenues, usually retirable only from tax collections, and frequently only from the proceeds of the tax and revenues levy whose collection they anticipate.

Undesignated Unreserved Fund Balance: That portion of a fund balance that is available for spending or appropriation and has not been "earmarked" for specified purposes by the chef executive officer or the legislative body.

Unreserved Fund Balance: That portion of a fund balance available for spending or appropriation in the future.

Unreserved General Fund Balance as % of Revenues: Unreserved GF balance as reported in the local government's financial statements divided by total GF revenues and other sources of funds. In some cases, Unreserved GF Balance reported by Moody's may include certain amounts shown as reserves in the financial statements that Moody's analysts have deemed would be available to meet operating contingencies.

APPENDIX J

Estimated Direct and Overlapping Bonded Debt of Stanislaus County
As of March 20, 2006

March 20, 2006

STANISLAUS COUNTY

2005-06 Assessed Valuation:	$33,795,875,630	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	2,548,729,977	
Adjusted Assessed Valuation:	$31,247,145,653	

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/06
Modesto High School District	100. %	$ 75,789,875
Turlock Joint Union High School District	98.373	29,447,958
Ceres Unified School District	100.	24,379,806
Newman-Crows Landing Unified School District	100.	11,099,890
Patterson Joint Unified School District	99.164	20,650,984
Riverbank Unified School District	100.	11,128,377
Other Unified School Districts	Various	35,163,428
Modesto City School District	100.	24,328,337
Sylvan School District	100.	9,110,000
Turlock Joint School District	98.093	10,741,184
Other School Districts	Various	7,839,994
Oak Valley Hospital District	100.	37,000,000
Newman Drainage District	100.	350,000
Empire Union School District Community Facilities District No. 87-1	100.	18,849,193
City Community Facilities Districts	100.	91,365,000
Salida Area Community Facilities District No. 1988-1	100.	35,940,000
Western Hills Water District Community Facilities District No. 1	100.	55,765,000
City 1915 Act Bonds	100.	14,781,510
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$513,730,536

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Stanislaus County Certificates of Participation	**100. %**	**$121,550,000**
Stanislaus County Pension Obligations	**100.**	**69,665,000**
Stanislaus County Office of Education Certificates of Participation	100.	5,685,000
Yosemite Community College District Certificates of Participation	72.584	10,430,321
Modesto High School and City School District Certificates of Participation	100.	16,170,000
Ceres Unified School District Certificates of Participation	100.	11,490,000
Salida Union School District Certificates of Participation	100.	9,020,000
Other School District Certificates of Participation	Various	19,755,348
City of Modesto General Fund Obligations	100.	90,015,000
City of Newman Certificates of Participation	100.	2,740,000
Other City Certificates of Participation	100.	5,018,388
Keyes Fire Protection District Certificates of Participation	100.	293,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$361,832,057
Less: Salida Union School District self-supporting obligations from AIG investment agreement		2,000,000
City of Newman Wastewater Certificates of Participation (100% self-supporting)		2,620,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$357,212,057
GROSS COMBINED TOTAL DEBT		$875,562,593 (1)
NET COMBINED TOTAL DEBT		$870,942,593

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

Ratios to 2005-06 Assessed Valuation:
Total Overlapping Tax and Assessment Debt........................1.52%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($191,215,000)...............................0.61%
Gross Combined Total Debt...2.80%
Net Combined Total Debt..2.78%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: $0

YV($400 - update)

APPENDIX K
Stanislaus County Debt Affordability Model

Stanislaus County
Debt Affordability Model As Of June 30, 2006

Fiscal Year Ending June 30,	Actual 2005	Actual 2006	Proj. 2007	Proj. 2008	Proj. 2009	Proj. 2010	Proj. 2011
Economic and Financial Data							
Assessed Valuation (000s)[1,2]:	28,904,937	33,230,927	38,911,502	40,857,077	42,899,931	45,044,928	47,297,174
County Population (000s)[3]:	504	514	525	535	546	557	568
Total Fund Balance (Operating Fund Balance) (000s):	81,947	106,398					
Unreserved GF Balance:	56,023	74,631					
Unreserved, Undesignated Fund Balance (000s)[4]:	33,872	24,371					
Total GF Revenue (000s):	220,886	245,706	255,535	265,756	276,386	287,442	298,939
Annual Percent Increase in Total Revenue:	17.7%	11.2%	4%	4%	4%	4%	4%
Total GF Expenditures (includes Transfers In and Transfers Out):	197,587	221,256	230,106	239,311	248,883	258,838	269,192
Annual Percent Increase in Total Expenditures:	4.5%	12.0%	4%	4%	4%	4%	4%
Operating Fund Balance as % of Total Revenue:	37.1%	43.3%					
Total GF Balance as % of GF Revenues:	37.1%	43.3%					
GF Balance as % of Total Expenditures:	41.5%	48.1%					
Unreserved GF Balance as % of Total Expenditures:	28.4%	33.7%					
Unreserved GF Balance as % of Revenues:	25.4%	30.4%					
Undesignated Fund Balance as % of Total GF Revenues:	15.3%	9.9%					
Outstanding Debt (000s) (Includes 2007 Refunding)							
Par Amount Outstanding w/o POB:	78,150	72,050	64,020	60,100	56,050	51,860	47,520
Par Amount Outstanding with POB:	154,040	141,715	126,995	115,890	104,120	91,640	78,395
Annual Debt Service on Outstanding Debt w/o POB:	11,511	11,648	13,261	12,875	11,429	11,420	11,408
Annual Debt Service on Outstanding Debt with POB:	24,314	24,598	24,693	24,306	22,862	22,851	22,839
Additional Debt Par Amount Outstanding:[5]	-	-	65,675	65,675	65,675	63,930	62,120
Gross Annual Debt Service on Additional Debt:	-	-	-	1,574	3,148	4,893	4,893
Capitalized Interest:	1,374	1,522	-	1,574	3,198	1,335	-
Total Additional and Outstanding Par Amount w/o POB:	78,150	72,050	129,695	125,775	121,725	115,790	109,640
Total Additional and Outstanding Par Amount with POB:	154,040	141,715	192,670	181,565	169,795	155,570	140,515
Annual Debt Service on Outstanding and Additional Debt w/o POB, Net of Capl:	10,137	10,125	13,261	12,875	11,378	14,978	16,301
Annual Debt Service on Outstanding and Additional Debt with POB, Net of Capl:	22,940	23,076	24,693	24,306	22,811	26,409	27,732
Offsetting Revenues (000s)							
Total Offsetting Revenues:	4,854	4,854	4,854	4,854	4,854	4,854	4,854
Total Additional and Outstanding Debt Service w/o POB, Net of Offsetting Revenues:	5,283	5,271	8,407	8,021	6,524	10,124	11,447
Total Additional and Outstanding Debt Service with POB, Net of Offsetting Revenues:	18,086	18,222	19,839	19,452	17,957	21,555	22,878
Computation of Debt Ratios (includes outstanding and additional debt)[6,7]							
Debt Service, w/o POB, as % of G.F. Revenue:	4.59%	4.12%	5.19%	4.84%	4.12%	5.21%	5.45%
Debt Service, with POB, as % of G.F. Revenue:	10.39%	9.39%	9.66%	9.15%	8.25%	9.19%	9.28%
Net Debt Service, w/o POB, Net of Offsetting Revenues, as % of G.F. Revenue:	2.39%	2.15%	3.29%	3.02%	2.36%	3.52%	3.83%
Net Debt Service, with POB, Net of Offsetting Revenues, as % of G.F. Revenue:	8.19%	7.42%	7.76%	7.32%	6.50%	7.50%	7.65%
Debt Service, w/o POB, as % of G.F. Expenditures:	5.13%	4.58%	5.76%	5.38%	4.57%	5.79%	6.06%
Debt Service, with POB, as % of G.F. Expenditures:	11.61%	10.43%	10.73%	10.16%	9.17%	10.20%	10.30%
Debt Service, w/o POB, Net of Offsetting Revenues, as % of G.F. Expenditures:	2.67%	2.38%	3.65%	3.35%	2.62%	3.91%	4.25%
Debt Service, with POB, Net of Offsetting Revenues, as % of G.F. Expenditures:	9.15%	8.24%	8.62%	8.13%	7.22%	8.33%	8.50%
Total Additional and Outstanding Par Amount w/o POB, as % of AV:	0.27%	0.22%	0.33%	0.31%	0.28%	0.26%	0.23%
Total Additional and Outstanding Par Amount with POB, as % of AV:	0.53%	0.43%	0.50%	0.44%	0.40%	0.35%	0.30%
Debt Per Capita, w/o POB:	155	140	247	235	223	208	193
Debt Per Capita, with POB:	305	276	367	339	311	279	247
Overall Debt (000s)(As of Dec. 1)							
Non General Fund Debt:	456,342	502,530	-	-	-	-	-
Net Combined Total Debt (000s)[8]:	812,474	865,320	-	-	-	-	-
Overall Debt Per Capita (000s):	1,611	1,682	-	-	-	-	-
Overall Debt as % of Assessed Valuation:	2.81%	2.60%	-	-	-	-	-

Notes:
[1] Source: Stanislaus County 2006 CAFR.
[2] Assumed Growth Rate of 5% Annually in Years 2008-2032, actual figures through FY 2006-07.
[3] Assumed Growth Rate of 2% Annually in Years 2007-2032. Actual Data updated to reflect 2006 CAFR.
[4] Stanislaus 2005 CAFR and 2006 CAFR
[5] Assumes 25-year Certificate of Participation issue, current market rates plus 25 basis points, 1.5 year project fund, 2.0 years of capitalized interest.
[6] Includes both Outstanding and Additional Debt.
[7] Includes Revenue and Other Sources.
[8] Includes the County's existing and additional debt and all overlapping debt as shown in the respective CAFRs.

Offsetting Revenues (000s):	2005	2006	2007	2008	2009	2010	2011
Library Public Facilities Fees:	574	574	574	574	574	574	574
Criminal Justice Construction Fund:	350	350	350	350	350	350	350
Criminal Justice Public Facilities Fees:	150	150	150	150	150	150	150
Rent from Westlands Dev Parking Garage:	85	85	85	85	85	85	85
Department of Employment and Training Rent:	34	34	34	34	34	34	34
Ray Simon Training Center Rent:	239	239	239	239	239	239	239
Agricultural Center Gas Tax Reimbursement:	116	116	116	116	116	116	116
Department of Food and Agriculture Rent:	50	50	50	50	50	50	50
Public Defender Rent:	164	164	164	164	164	164	164
Clerk-Recorder Rent:	83	83	83	83	83	83	83
Clerk-Elections Rent:	83	83	83	83	83	83	83
Grand Jury Rent:	20	20	20	20	20	20	20
Community Services Agency Rent:	2,078	2,078	2,078	2,078	2,078	2,078	2,078
Public Facilities Fees:	828	828	828	828	828	828	828
Total Offsetting Revenues:	4,854	4,854	4,854	4,854	4,854	4,854	4,854